

FINANCIAL TIMES

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TUESDAY APRIL 6 1999



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WORLD NEWS

China in gesture to US business as Zhu flies to Washington

Chinese premier Zhu Rongji travels to the US today ready to face critics on a talk show and display his populist style by visiting a farm and a ball game. Beijing, working to repair damaged links with Washington, said two US insurers would be granted licences to operate in China. Page 14; Letters, Page 12

Oil station bombed, says Iraq
Iraq said Western bombs destroyed another control station on a pipeline used to export oil at its Mina-al-Bakr terminus. But a shipping source in London said oil was still being loaded there.

China dam project criticised
A Chinese critic of her country's Three Gorges dam project has urged foreign investors to pull their funds out. Anti-dam campaigner Dai Qing said foreign funding made the project the "world's responsibility".

Indian cabinet rejects demands
India's cabinet rejected the demands of a key coalition ally which has set the defence minister's dismissal and the reinstatement of a navy chief as the price for its continued support. International, Page 6

Amey injuries investigated
A royal commission investigating injuries sustained by several Malaysian finance minister Anwar Ibrahim while in police custody will present its report to Malaysia's king tomorrow.

Georgia may end security link
Georgian president Eduard Shevardnadze said his country might end its security co-operation with the Commonwealth of Independent States, a loose grouping of ex-Soviet states. He said the CIS collective security treaty had not been of use so far.

Exiled dissident lands in Thailand
Exiled Chinese dissident Wang Xizhe arrived in Bangkok after the failure of his attempt to return home to pay respects to his deceased father. He was taken off a New York-Bangkok flight during a stop in Seoul.

East Timorese called to arms
Jailed East Timorese guerrilla leader Xanana Gusmao urged war against Indonesian forces in the territory. His call came after allegations that Indonesian forces and Jakarta loyalists had killed 17 people in East Timor.

Nigerian poll appeal fails
Nigeria's appeal court dismissed a challenge to the presidential election victory of former military ruler Gen Olusegun Obasanjo, brought by defeated rival Olu Falae. International, Page 6

UK issues guidelines on nannies
The British government is issuing guidelines for employing nannies or au pairs but it has rejected calls for a register, saying the large number who come from overseas would make this unworkable. UK, Page 8

Drug shows wider promise
Endostatin, the Harvard-developed experimental drug that has been found to shrink cancer tumours in mice, is also showing promise against heart disease.

Portuguese truck drivers on strike
Portuguese truck drivers launched a pay strike. The Federation of Road and Urban Transport Unions expects most of the country's 35,000-40,000 drivers to join the stoppage.

BUSINESS NEWS

Paribas and SG boards may face dissent over bid

Société Générale and Paribas boards are expected today to confirm their rejection of the two-pronged hostile bid for them by rival Banque Nationale de Paris, but the voting may show up the first signs of dissent. Page 15

Japan's nine largest commercial banks sold a record ¥3,000bn (\$25bn) worth of bad loans in the year to March 31 as part of their restructuring programmes. Page 15; Editorial Comment, Page 13; Lex, Page 14

Société Générale, French bank, said it would take part in the joint venture between Nomura Securities, Japan's largest securities house, and Industrial Bank of Japan in the pensions market. Page 16

Griffin Group, Irish builders' merchanting group, is close to buying a private builders' merchant company in the UK for £13m (\$21m). Page 20

ING has been chosen to advise on the sale of a strategic stake in Telekomunikacja Polska SA, Poland's state-controlled telecoms operator. Page 17

Grupo Tifesa, troubled Mexican construction company, is seeking a strategic alliance with a subsidiary of US-owned energy giant Enron Corp. Page 18

Citigroup aims to gain economies of scale from its switch of business away from the Visa credit card association to its rival MasterCard. Page 18; Lex, Page 14; Problems fall to knock Citigroup, Page 18

Mitsubishi, troubled Japanese carmaker allied with Renault, has a ¥500bn (\$4.8bn) shortfall in its pension reserves, the French carmaker has calculated. Page 16

Sap chief executive Millard Drexler saw his remuneration more than doubled last year to \$7.5m as the retailer delivered strong profits growth. Page 18

United Pan-European Communications, cable television provider, is seeking further acquisitions after buying businesses in three countries. Page 17

Olama, Japanese machine tool company, plans to boost its sales in Europe. Page 17

Tambang Tambak, Indonesian tin mining group, plans to buy into three other mining companies and an asphalt plant. Page 16

Andrew Parla, who was placed on administrative leave during a US Securities and Exchange Commission investigation into trades in British Biotech, is a senior executive at the fund management group involved, Oechsle International Advisers. Page 16

STE, US telecoms group, is to buy the cellular business of Midwest-based local carrier Ameritech in three states for \$3.27bn. Page 18

Chilean companies are returning to the Yankee bond market with up to \$2bn worth of deals in the pipeline or already priced. Page 16

Lex on Philips
Semiconductors
and phones
Page 14

WORLD MARKETS

STOCK MARKET INDICES		GOLD	
New York	Dow Jones Ind. Av. 8,994.01	(418.5)	
US100 Composite	116.85	(62.18)	
Europe and Far East			
DAX	10,340.00		
FTSE 100	15,334.75	(44.58)	
Nikkei	14,128.00		
US FUTURES			
Federal Funds	4.125%		
9-mth Treas. Bill: Yld	4.41%		
Long Bond	5.43%		
Yld	5.61%		

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Euro-zone target price €2.15, Price in local currency at close		DOLLAR	
Belgium	201.300	102.28	102.28
France	194.000	102.28	102.28
Germany	194.000	102.28	102.28
Italy	194.000	102.28	102.28
Spain	194.000	102.28	102.28
UK	194.000	102.28	102.28
US	194.000	102.28	102.28
Japan	194.000	102.28	102.28
South Africa	194.000	102.28	102.28
Sweden	194.000	102.28	102.28
Switzerland	194.000	102.28	102.28
Netherlands	194.000	102.28	102.28
Australia	194.000	102.28	102.28
Canada	194.000	102.28	102.28
India	194.000	102.28	102.28
China	194.000	102.28	102.28
South Korea	194.000	102.28	102.28
Hong Kong	194.000	102.28	102.28

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Kosovo airlift swings into action

Confusion over moving refugees • Nato steps up attacks

By Our International Staff

The international airlift of food and aid to the 360,000 refugees driven out of Kosovo in the past fortnight gathered pace yesterday, but there was confusion over plans to move displaced ethnic Albanians temporarily to western countries.

At the same time, Nato took advantage of clearer weather over Yugoslavia to launch its heaviest raids since the air campaign started two weeks ago. Its warplanes and missiles hit targets in nine cities, including the headquarters of the Yugoslav air defence forces in the Belgrade suburb of Zemun. The building had already been abandoned but, by destroying it, Nato again showed it was ready to target buildings in the middle of

densely populated civilian areas. The US said yesterday President Slobodan Milosevic would not be allowed to cap the clearing of ethnic Albanians out of Kosovo with a "phony peace deal".

James Rubin, the State Department spokesman, said Washington had "indications" that Mr Milosevic might be about to propose a peace deal, now that he was near his apparent goal of "ethnically cleansing" Kosovo of its Albanian majority. Mr Rubin said Nato would stick to its goals of getting Serb forces out of Kosovo and letting Albanian refugees return under international protection.

Albania last night said it would take in up to 100,000 Kosovar refugees from Macedonia, whose

Serb-dominated government had said it could take no more ethnic Albanian refugees without endangering its internal stability.

"Albania is the only country... which cannot close its doors to Albanians expelled by Milosevic," said its information minister, who nonetheless admitted his country would not be able to cope properly with this addition to the 225,000 Kosovars who had already fled directly to Albania.

This gesture from Tirana appeared to rescue western governments from having to honour fully their weekend promises to Macedonia to give temporary asylum to up to 120,000 refugees - 25,000 in north America and nearly 100,000 in western Europe.

Designed as a burden-sharing gesture to Macedonia, the idea of a large-scale refugee movement from the region came under fire from Clare Short, Britain's aid minister, and Emma Bonino, European Union aid commissioner, who said refugees should be fed and sheltered on the spot. Nato said it was operating "a humanitarian air bridge" to Macedonia and Albania, with 13 relief flights on Sunday and 31 scheduled yesterday. But the Nato spokesman said that while the alliance was a "good Samaritan", "we are not a refugee organisation".

Allied air forces claimed technical problems in filling empty returning cargo planes with refugees. One report suggested the

aid effort might cut across the military campaign because US cargo planes might be too busy to carry US Apache gunship helicopters to Albania in less than a week.

Nato was last night awaiting formal agreement from Tirana for the deployment of the 24 Apache helicopters armed with Hellfire missiles, plus Multi-Launch Rocket systems with a range of 160km. Greatly increasing Nato's ability to strike deep into Kosovo, these deployments would make Albania an accomplice to the conflict and expose it to Yugoslav reprisals.

Reporting by Guy Dinnmore in Belgrade, Stefan Wagstyl in Tirana, David Buchan in London and Neil Buckley in Brussels

Kosovo crisis, Pages 2 and 3

UN SUSPENDS SANCTIONS AS TWO LIBYANS FINALLY SUBMIT TO SCOTTISH JUSTICE IN THE NETHERLANDS

Lockerbie bomb suspects flown in for murder trial

By Gordon Grubb in Rotterdam, George Parker in London and Graham Macdonald in Washington

The two Libyans suspected of planting the bomb that caused the Lockerbie air disaster were taken to the Netherlands for trial yesterday, ending a near eight-year diplomatic stalemate.

As soon as they landed in the Netherlands, Kofi Annan, UN Secretary-General, sent a letter to the Security Council, prompting the suspension of the sanctions imposed against Libya in 1992.

Hans Correll, the UN's chief legal counsel, escorted the two suspects on a 3½-hour flight to a Dutch military airfield at Valkenburg, near Leiden. He said the procedure was dignified and the two were treated as ordinary passengers.

The suspects are to be tried by a Scottish court sitting in the Netherlands. The Libyan government resisted demands for the trial in Britain or the US.

The PanAm flight crashed in the Scottish village in December 1988, with Americans accounting for most of the 270 who died.

Yesterday's handover encountered a final delay when the gov-

ernment of Muammar Gaddafi held an "unexpected ceremony" to mark the occasion, said Mr Correll.

The suspects, Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah, alleged to have been Libyan intelligence agents, were each accompanied on the flight by a brother and their lawyers.

A Dutch judge at the airfield extradited the two suspects, who were then handed to Scottish police based at the nearby Camp Zeist, where their trial for murder is to take place.

Mr Correll, speaking at Rotterdam airport, said: "What has been achieved by the states concerned in this case is unprecedented... We have never discussed the question of guilt or innocence," he added, noting that, under international law, they remain innocent. If convicted, the men would serve their sentences in Scotland.

Libya would be expected to compensate the relatives of victims of the Lockerbie bombing if the two suspects were convicted, Robin Cook, the UK foreign secretary, said in London. The Foreign Office said the potential



Abdel Basset Ali Mohamed al-Megrahi, left, and Lamen Khalifa Fhimah alleged to have been Libyan intelligence agents

compensation was hard to assess but could reach hundreds of millions of pounds.

Mr Cook praised Nelson Mandela, South African president, for persuading Tripoli to hand over the suspects.

Meanwhile Tony Blair, UK prime minister, paid tribute to the families of the relatives, who waited more than 10 years for this moment. "I have met them and found them extraordinarily

courageous people who have been very patient," he said.

Bill Clinton, US president, said he was gratified that the two suspects would face trial.

"At last the road to justice has begun," he said. "But most important, today is a day to remember the men and women who lost their lives on Pan Am 103. I know their loved ones have suffered greatly. They too have laboured hard to bring justice."

Relatives expressed concern that the suspects, if found guilty, were probably just carrying out orders. They were suspicious of the lifting of sanctions against Libya within 90 days of the handover before it was clear that Libya would fully co-operate with the trial.

Special Report, Page 4
Gaddafi's gamble, Page 12
Editorial Comment, Page 13

Prodi wants veto on Brussels 'lame ducks'

By Peter Novenas, Lionel Barber and James Edey

Romano Prodi, the European Commission president-designate, will seek to create a "high-level team" of commissioners, and is prepared to quarrel with European Union governments to get his way.

In an interview with the Financial Times, Mr Prodi said "the time for sending lame ducks to Brussels is over". If a member state nominates a commissioner who Mr Prodi regarded as unqualified, "I would have a duty to say no", he said.

However, before Mr Prodi starts to assemble his team, he is likely to face close questioning about his political ambitions in the European Parliament election in June, and how they might delay his project for reforming the EU's executive body.

Mr Prodi expects to discuss his future plans for the Commission and Europe with leaders of the Socialist and centre-right political groups in the European Parliament on Thursday and with EU leaders on April 14.

In the interview, Mr Prodi confirmed he had still not made up his mind whether to stand as a candidate for his new Italian centrist movement. His decision could have a profound effect on

Italian politics. By the standards of Italy's fractured political system, Mr Prodi's "Democratic" movement is riding high in the opinion polls with 13-14 per cent support. That could slump if he does not stand, enhancing the prospects of Massimo D'Alema, the Italian prime minister.

Relations between the two men have been bad since the fall of Mr Prodi's government last October, although Mr D'Alema supported the former prime minister for the Commission presidency.

"There is no legal impediment, prohibition or incompatibility [in running for the European Parliament as designated Commission president]," Mr Prodi said in the interview. He added that in many people's eyes "it would be positive if the Commission president could pass some kind of political test". On the other hand, he admitted there could be drawbacks if the Commission presidency were seen to lose some of its bipartisan appeal in the European Parliament.

At their summit meeting in Berlin last month, EU leaders proposed that the present European Parliament should approve Mr Prodi as Commission president before it dissolves in May.

Euro credibility, Page 3; Prodi interview, Editorial Comment, Page 13

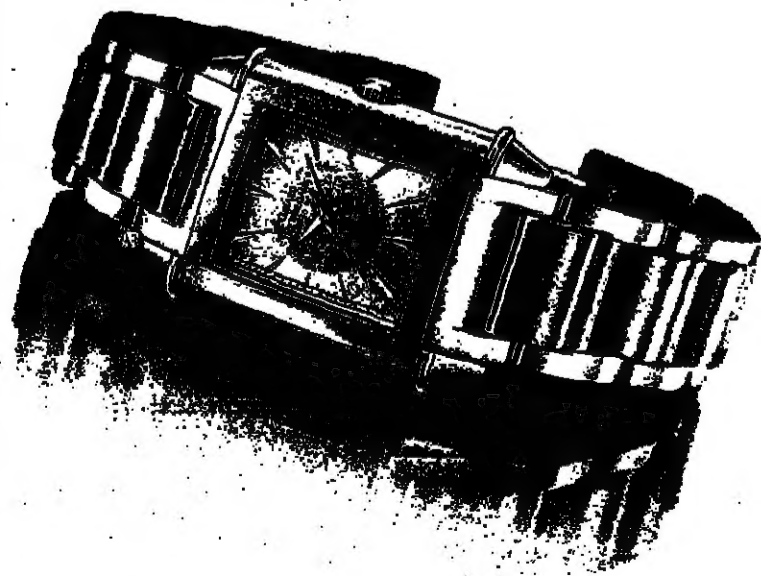
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WORLD NEWS

KOSOVO CRISIS

NATO AIR STRIKES DEPLOYMENT REQUEST TO TIRANA ■ WASHINGTON MOOD HARDENS ■ REFUGEES HELD UP ON MACEDONIAN BORDER ■ MONTENEGRO'S STABILITY AT RISK

Apache plan draws Albania into conflict

By Neil Buckley in Brussels and John Thornhill in Moscow

Nato was last night awaiting formal agreement from Albania to deploy 24 US Apache helicopter gunships on its territory, plus a support force of 2,000 soldiers, moving the conflict into a new stage.

Nato ambassadors authorised Javier Solana, the alliance's secretary-general, to make the formal request to Tirana after consultations during the day.

This would be the first time Nato has deployed forces in a non-member country and would greatly increase the alliance's ability to strike targets on the ground deep inside Kosovo.

But it would also turn Albania in effect into a participant in the Nato campaign - and leave it liable to possible reprisals from Yugoslav forces.

Jamie Shea, the Nato spokesman, hinted that Nato had given assurances of protection in the event of an

attack. "We've always made clear that Nato would treat with the utmost seriousness any threat to a partner country," he said.

Mr Shea said the idea of a security force to protect returning refugees was being considered. Nato's ultimate aim, he said, was for all those displaced from Kosovo to "return freely, safely and quickly to their homes".

"That is inconceivable without an international military presence on the ground in Kosovo, at least during a

transitional period," he said. Such a force would be Nato-led but could include forces from non-member countries, he added.

Meanwhile, Russia's ambassador to Yugoslavia yesterday held talks in Pristina, the Kosovo capital, with Ibrahim Rugova, the moderate Kosovo Albanian leader, to give renewed impetus to Moscow's latest peace initiative. According to Russian news agencies, Mr Rugova called for an end to Nato's air strikes and said

he was prepared to fly to Moscow to seek a peaceful solution to the crisis.

Nato has suggested that Mr Rugova has been placed under house arrest and may be acting under duress. But ORT, Russia's state television channel, reported that Mr Rugova was being guarded by Serb forces to protect him from attacks by radicals from the Kosovo Liberation Army.

Mr Rugova became the subject of intense controversy last week when televi-

sion pictures showed him in a meeting with Yugoslav President Slobodan Milosevic apparently calling for Nato air operations to end.

On Sunday, Mr Shea said that the pictures might have been taken two years previously and that the text of Mr Rugova's comments had been altered to distort his message. The Yugoslav official news agency Tanjug said yesterday: "Rugova himself used the occasion [meeting] to reject Sunday's statement of Nato spokes-

man Jamie Shea that he [Rugova] had not met... President Slobodan Milosevic, and that the pictures taken on April 1 could be two years old."

It added: "The Russian ambassador to Belgrade... confirmed [Rugova] is safe and alive, that he is free to move and that his house is not damaged, thus rejecting the speculations of certain foreign media and Nato officials that Rugova has been arrested and his house burned."

Fears of coup unsettle republic

By Miroslav Vukobratovic in Podgorica

Tens of thousands of Kosovo refugees currently in Montenegro may flee into neighbouring Albania and Bosnia amid fears of a coup and civil war in the tiny Yugoslav republic.

Rumours of an impending coup by the Yugoslav federal army against the government of Milo Djukanovic, Montenegro's president, continued to swirl around Podgorica, the capital, yesterday.

"Everyone - among the internally displaced, refugees from Bosnia and Croatia, our staff, the local population - is feeling uncertain and insecure as to what is next," said Robert Breen, head of the United Nations High Commissioner for Refugees office in Podgorica.

According to UNHCR figures, about 32,000 Kosovo refugees have entered Montenegro over the past week, joining the 25,000 who fled to the Yugoslav republic in the past year. Montenegro now holds about 90,000 refugees, including ethnic Serbs who fled Croatia and Bosnia in earlier conflicts.

Although greater numbers of refugees have entered Macedonia and Albania, Montenegro has a population of only 650,000. "The concern of the government is that the high proportion of internally displaced persons could destabilise the internal situation in Montenegro," Mr Breen added.

"If any one wants to go to Macedonia or Albania, we are helping them to do so. But the government is not pushing them to leave Montenegro," said Nikola Camaj, assistant secretary at the Ministry of Information in Podgorica.

While the flow of refugees has slowed to about 2,000 a day since last week, an unknown number of people, perhaps 15,000, are fleeing Kosovo's Pec region and may yet try to cross into Montenegro.

There have also been reports by non-governmental organisations that Yugoslav army reservists in the north-east of Montenegro have been harassing refugees from Kosovo. "The refugees don't feel secure," Mr Breen said.

It is for this reason and because of the precarious political situation in Montenegro that many refugees may seek to leave the republic for neighbouring Albania and Bosnia.

In Podgorica, government buildings were being guarded by an increased number of heavily armed police, who are loyal to Mr Djukanovic.

The commander of the federal army in Montenegro was last week replaced by a general - reported to be a hardliner - from Belgrade by Slobodan Milosevic, Yugoslav president.

Mr Milosevic regards Mr Djukanovic as a thorn in his side, and has been trying to undermine the government ever since Mr Djukanovic was elected to office last year.

The federal army was not visible in force in or around Podgorica yesterday. Residents said the federal army had dispersed its vehicles and men in the woods and hills to avoid Nato air strikes.

US betrays signs of shift over troops

By Gerard Baker in Washington

As the US began dispatching to Albania yesterday two dozen Apache attack helicopters, numerous heavy artillery units and 2,000 troops, it looked increasingly as though Washington was sliding inexorably into the kind of intensification of the military conflict with Yugoslavia it has repeatedly refused even to contemplate.

Officials insisted the deployment of what are essentially ground-based forces on the Kosovo border did not represent the first step towards a full-scale land offensive against the Serbian forces attacking Kosovo Albanians.

Instead, they argued, the new units would simply provide much needed materiel to help the air-based campaign against President Slobodan Milosevic's soldiers. The Apaches, flying low and slow above the ground in Kosovo, would be better able than fixed-wing aircraft to target the Serb forces, while the troops and ground-launched missiles would be tasked to take out any threat to the Apaches as they did their work.

Joseph Lockhart, the White House press secretary, repeated the now familiar mantra yesterday that the

US and Nato had "no intention" of introducing ground forces into the campaign and insisted that the allied operation was going according to plan and had not changed its objectives.

But the terms of the debate in Washington have clearly shifted in the last week and the deployment of the Apaches and troops is a clear response to the growing pressure on the administration of President Bill Clinton to do more. Pentagon officials acknowledge they have been disappointed by the failure of the air campaign so far to do more damage to Mr Milosevic's resources and morale, and by the scale of the refugee crisis.

And, while many domestic critics were opposed to the idea of even a limited air campaign in the Balkans a few weeks ago, many are now saying the attack needs to be widened dramatically. A number of prominent Democrats and Republicans have said in the last few days the administration has made a serious mistake in ruling out ground troops.

National security officials continue to point out the practical impossibility of launching a land-based offensive aimed at expelling the Serbs from Kosovo.



Children run towards Puma helicopters delivering rations on the outskirts of Kukes yesterday. AP

"Roads are mined, there are 300 Serb tanks, small units are operating from village to village, mountains to mountains. We have no plan to fight our way in in that environment," said one.

But there are signs of a subtle shift that may not necessarily lead to an all-out land offensive in Kosovo but that could involve a limited military operation on the ground aimed at resettling refugees. Yesterday, White House officials acknowledged that getting the 300,000 or so refugees back into Kosovo was a *de facto* objective of the campaign.

Although Madeleine Albright, secretary of state, refused to say in an interview at the weekend whether Nato troops might be used to escort refugees back into a potentially hos-

tile environment, she did offer a slightly different formulation of existing Nato policy.

Nato has always said its forces would be used only in a "permissive environment" to keep the peace in Kosovo. Previously, it had been generally assumed that the "permission" could come only from an agreement by Mr Milosevic as part of a broader peace accord that his forces would not attack them.

But Mrs Albright suggested there was another possibility. "There are other ways to create a permissive environment," she said on NBC News. "What we doing is systematically diminishing or degrading his ability to have that kind of control over the area."

In other words, if the air

campaign, augmented by the Apache helicopters and land-based missiles, succeeds in killing or removing enough Serbs, Nato troops might start to assist the refugees back in, even if there were still a potentially hostile environment.

US officials refuse to elaborate on Mrs Albright's remarks, and there are clear difficulties. How could, for example, the Nato forces occupy a part of Serbia while Mr Milosevic was still in power and still in a state of war?

But her words suggest that, for all the protestations that Nato's objectives and strategy have not altered, there is an intensifying debate about how to improve on what so far has been an inauspicious start to Operation Allied Force.

Tirana agrees to lighten refugee strain

By Stefan Wagstyl in Tirana and Robert Wright in Skopje

Albania yesterday confirmed that it would accept 100,000 Kosovo refugees from Macedonia after intense pressure from western governments for Tirana to help defuse the political crisis in Skopje.

"Albania is the only country in the Balkans which cannot close its doors to Albanians expelled by Milosevic," said Musa Ulqini, the information minister. "The prime minister has said we can't cope with all 100,000 here but we can't say no to them."

The announcement coincided with pledges from western governments to aid Albania's financial burden. The United Nations High Commissioner for Refugees promised \$1.5m a month. It is holding a donors' meeting in Geneva today.

In Skopje, Macedonia's capital, last night some 150 refugees left on an aircraft bound for Turkey, the start of a promised airlift.

A Reuters reporter at Skopje airport said the refugees appeared to have had no chance to clean up after spending days in the open following their flight from Kosovo. There appeared to be no representatives from international aid agencies.

The scene looked more like a deportation than a mercy flight, he said.

One man tried to flee from the queue going on to the aircraft but was pushed through passenger control by police holding him in an armlock.

The refugees said they had not been told where they were going until they were put on the buses to the airport.

Macedonian authorities were loading refugees aboard five more aircraft also bound for Turkey. Witnesses said the refugees were in poor condition and had only just been told where they were going.

The government has appeared eager to ensure the refugees do not further swell its more than 500,000-strong ethnic Albanian population concentrated in the west of the country, which has a total population of just 2.2m.

The UNHCR said it was trying to organise a flight to Norway for 70 of the most seriously ill people but had

been unable to obtain a landing permit for the flight.

Albania, Europe's poorest country, is already giving refuge to ethnic Albanians pouring into its mountainous northern region from Kosovo. By late yesterday, the Organisation for Security and Co-operation in Europe, which monitors the border, estimated the total was approaching 340,000, including up to 20,000 who arrived yesterday.

The flow shows no sign of abating, with long queues at the main border road crossing road at Morina, near the northern Albanian town of Kukes. Serb forces have also pushed Kosovars into Albania at the remote post of Tropoje, in inhospitable terrain which can only be reached by four-wheel drive vehicles.

However, aid agencies yesterday appeared to be getting to grips with the enormous challenge of caring for the refugees. UNHCR in Albania said the situation was improving thanks to growing supplies of food, tents and medicines.

For the first time yesterday, aid agencies had 12 helicopters at their disposal, including eight from France. The priority remains to move refugees rapidly from the inaccessible Kukes region to other parts of Albania. However, due to lack of transport, some 122,000 remain in Kukes, according to government figures, although aid workers in Kukes say this estimate may be too high.

The outflow of 15,000 a day from Kukes still fails to keep pace with the inflow. Buses and minibuses have been provided by the Albanian government. However, many refugees continue in their own vehicles, mostly tractors dragging trailers containing extended families of 20 or more. The smaller machines, some no bigger than ride-on lawnmowers, struggle up the steep passes, holding up traffic.

In Macedonia Paula Ghedini of the UNHCR said that the longer people waited outside, the more susceptible they became to illness.

"The weather is extremely cold. We don't have full access to the area and there's now a possibility of health hazards."

Kosovars tested by Macedonia delays

By Robert Wright

The long wait having to be endured by thousands of Kosovar Albanian refugees - now as much as six days for some - to be processed by the Macedonian authorities is leading to bitterness and frustration.

Despite Macedonian government assurances that the border would be re-opened now that there were assurances from third countries to take refugees, the crossing at Jaccinec, high in the mountains between the two countries, remained closed yesterday, with a queue of thousands of people waiting to cross on foot.

There was no evidence of buses or cars in the queue to leave, something which had previously afforded some

shelter to those waiting. Many of those allowed through appeared to be medical emergencies. One woman gave birth in the first aid tent by the border post.

The increasingly tense wait led to an incident on Sunday when a desperate man produced a handgun to try to get medical treatment for his ill wife. Further such occurrences look likely.

The wait has also led to some bitterness among Macedonia's own Albanian population of at least 600,000 people. Alajdin Demiri, a leading member of the Democratic Prosperity party of Albanians in Macedonia, part of the governing coalition, expressed opposition to the government's plans to use Macedonia only as a cor-

ridor for transporting refugees. He also said that, despite large amounts of food aid now coming into the country, most aid so far had been provided by the many Albanian families in western Macedonia who were sharing their homes with the refugees.

Macedonia estimated yesterday that it now had as many as 115,000-125,000 Kosovo refugees on its own soil, with 50,000 more waiting in the area between the Kosovo and Macedonian borders, and an estimated 70,000 waiting in Kosovo to cross. The sudden jump in the number of estimated refugees is because the government has started including an estimate of unregistered immigrants.

While the registered figure went up from 57,000 to 69,000, roughly 50,000 more unregistered immigrants are now being included.

Meanwhile, there are signs that the refugees' experiences may also be having a radicalising effect on the men. Some at the Jaccinec border crossing yesterday said they were there only to ensure their wives and children reached Macedonia safely. Enver, a father of four children, said his brother had already left Macedonia for Albania, where he intended to join the Kosovo Liberation Army, the KLA. "We will go back and we will fight to the last person," he said.

Macedonia's plan to remove the refugees straight from the small, poor country of 2.2m people also looks as if it may face difficulties if the men are as determined as they say to return to fight. Hilmi, a father of five children from Vucitrn, near Pristina, the Kosovo capital, said his family would have to go wherever they could find shelter, including distant countries such as Norway or Germany.

"I want to find a quiet place for my wife and children," he said.

He expressed willingness on his own part to return to fight, however. "If we didn't have the belief that we would go back, we would hang ourselves."

Hilmi had crossed the border two days before but was waiting to find his parents, who had still not been able to cross.

Athens urges bombing halt on Orthodox Easter

By Kerin Hope and agencies

Greece, a member of Nato, yesterday asked the alliance to stop bombing Yugoslavia next Sunday - Orthodox Easter Sunday, an important religious holiday for Serbs as well as Greeks.

"Easter has quite strong symbolism and [this] would show respect for the sensitivities of the Serbian people," said George Papanastasiou, foreign minister said. Greece has traditional ties with fellow-Orthodox Christian Serbia and opposes the Nato bombings of Yugoslavia. But it has provided logistical support to the alliance and has condemned the ethnic cleansing in Kosovo.

However, the Nato strikes have provoked considerable popular support among Greeks for Serbia. Truck convoys are being organised by Greece's Orthodox church leaders, trade unions and professional organisations to drive food and medical supplies from Athens to Belgrade.

The Socialist government, however, has taken a firmly pro-western position. Greece has set aside its "special relationship" with Serbia, while government officials have distanced themselves from Slobodan Milosevic, the Yugoslav president.

Costas Simitis, the prime minister, has said it is "overwhelmingly in the Greek interest" to support Nato as part of the government's policy on seeking closer integration with its western partners.

Greece is providing support facilities for Awacs aircraft on Nato surveillance missions, although, like the other Balkan countries, it refused to participate in a military intervention in Yugoslavia. The 12,000-strong Nato force of would-be peacekeepers based in Macedonia is supplied through the port of Thessaloniki. A 2,000-strong contingent of US Marines is based aboard ships cruising in the Aegean Sea.

But as the Nato offensive

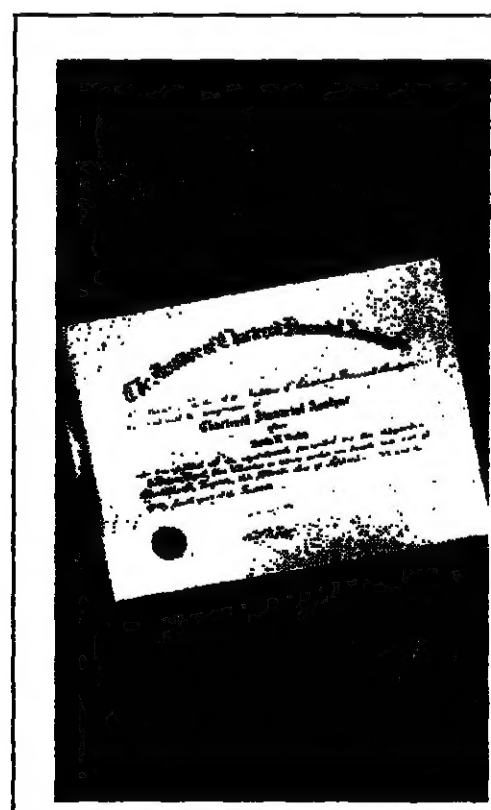
intensifies, Mr Simitis's advisers are becoming concerned over the widening gap between the government's policies and popular feeling.

The moment Nato air strikes were launched, Greece's church leaders appealed for support for the Serbs as fellow members of the Orthodox faith, while implying that the Albanians, as Moslems, were of less concern.

Archbishop Christodoulos, head of the Greek Orthodox church and an influential figure, urged the Greeks to back their "Orthodox brothers in Serbia".

"At the popular level, pro-Serbian sentiment is fuelled by the church, which has a strong influence on public opinion," says Thanos Veremis, chairman of Eliamep, a Greek foreign policy think tank.

Greece and Serbia fought on the same side in both Balkan wars earlier this century, against Turkey and Bulgaria.



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NATO AIR STRIKES MILITARY CAMPAIGN STEPPED UP DURING CLEAR WEATHER ■ ATTACKS AGAINST GROUND FORCES STILL IN 'EARLY STAGES' ■ BELGRADE INSISTS LOSSES ARE LIMITED

West intensifies raids against command centres

By Guy Dinmore in Belgrade and Neil Buckley in Brussels

Nato aircraft and missiles early yesterday hit civilian and military targets in Belgrade and eight other urban centres, using clear weather to launch the heaviest raids across Serbia since the air campaign began nearly two weeks ago.

Missiles destroyed the headquarters of the Yugoslav air force and air defence in the centre of Belgrade's western suburb of Zemun on

the banks of the Danube. Military sources said the building had been emptied of staff and equipment days earlier and no casualties were reported, but electricity and water to nearby residential areas were cut.

As with the attack on two abandoned interior ministry buildings early on Saturday, the raids were of little military significance. But Nato demonstrated it was ready to risk targeting buildings in the middle of densely populated civilian areas to strike

at the heart of the regime of Slobodan Milosevic, Yugoslav president.

Nato said yesterday that improving weather conditions were allowing it to step up its air attacks but admitted that a concerted campaign against forces in the field were "just starting".

But Air-Commodore David Wilby of Nato military command said attacks on ground forces were in their early stages. "We are just starting to hit them," he said. "The weather has only just

cleared to give us a little more chance of hitting them hard. We are now getting our tactics right, we have ramped up the number of sorties, and [are] taking the fight [against] them very hard."

Despite the intensity of the strikes, Yugoslav government sources said Serb mobile air defence systems suffered only a few losses and were being saved for use against low-level attacks by Nato aircraft on the military in Kosovo province. Bel-

grade's civilian airport, which is also used by the military, was targeted again and a primary school in the suburb of Zvezdara was damaged in a raid on a barracks. The Yugoslav army and state media said Nato raids destroyed a metal-processing plant and a tobacco factory in the southern city of Nis and a chemical plant in Lucani. Nato also targeted a bridge over the River Ibar on a road leading north out of Kosovo province and a television relay tower on nearby

Mount Kopanik. A fuel depot of NIS, Serbia's state-owned oil industry, was bombed in the northern town of Sombor in another attack aimed at crippling the army's mobility.

Missiles were also fired at three areas in Kosovo province, including the airport near Pristina, the Stari Trig zinc and lead-mining area of Mitrovica and targets in the south-east town of Gnjilane. The army also said missiles fell close to Gracanica monastery, a shrine revered by

Orthodox Serbs that holds the remains of Prince Lazar who fell in battle against the Ottoman Turks in 1389.

Nato said targets hit on Sunday night and yesterday morning included fuel production and storage facilities, air defence installations, army and police garrisons, radio and communications facilities and an airfield around Belgrade, as well as fuel and ammunition stores, an airfield and staging areas in Kosovo. All aircraft returned

intact, according to Nato sources, countering Yugoslav claims that Nato aeroplanes had been shot down. But the alliance said it met more surface-to-air missiles and anti-aircraft fire than previously.

Britain's Defence Chief of Staff General Sir Charles Guthrie said yesterday that six British Tornado warplanes based in Germany, operating for the first time, had hit targets including bridges during the night but gave no details.

Euro-zone may win credibility back under Prodi regime

But the new Commission chief faces a difficult struggle to restore reputation of Brussels and euro, writes Alan Beattie

You can see how far the euro has fallen from favour in the markets, one cynic said recently, when people start touting the appointment of an Italian Socialist as its salvation.

The prospect of a new broom, in the shape of Romano Prodi, heading the European Commission may provide a welcome boost to the credibility of the European Union in the political sphere.

But can he drag euro-zone economic policy-making, and its ailing currency, out of the public disgrace into which it has fallen?

The underperformance of the euro has been the talk of the financial markets almost since its launch. While some of the weakness is simply because the US economy has grown more strongly, and the euro-zone more weakly, than the market expected, the other cause is more worrying.

Most financial market observers agree that the euro-zone, despite the conservative central bank at its core, faces an urgent problem of draining credibility. A very public conflict between the European Central Bank and euro-zone politicians has helped the euro to weaken and indicated to some the presence of a large vacuum where a strategic view of the euro-zone's future should be.

"The loss of credibility is a slippery slope," says Michael Wallace, manager of currency analysis at Standard & Poor's MMS. "Once you start down the slope and lose traction, it is hard to crawl back up again."

The market's chief bugbear, Oskar Lafontaine, the former German finance minister, has departed and his resignation provoked cheers on trading room floors in London. In currency terms, nothing in the political life of Mr Lafontaine, the proponent of what Mr Wallace calls "monetary terrorism" towards the ECB, became him so well as the leaving of it. The euro shot up two cents in the half hour after his departure.

But at the end of last week, it was back below the pre-resignation trough, ploughing new lows against the dollar and sterling on the day after Mr Prodi was anointed. Renewed fears of weakness in euro-zone economies and an unsatisfactory deal over the EU budget, regarded by the market as the "lowest common denominator", outweighed the immediate impact of his appointment.

In a sense, Mr Prodi has nothing to lose. With no formal role over the euro, which responds more to signals from the ECB and national finance ministers than from the Commission,

he cannot be blamed for renewed falls. But if he manages to restore a degree of respectability to pan-European politics, especially in such critical areas as the budget process, he has the potential to contribute to a euro recovery.

"The market realises that the direct influence of the Commission is small," says Joe Prendergast of Credit Suisse First Boston in London. "So to regain some credibility for the euro, Prodi will have to sort out policy-making in Europe."

This may seem a tall order. It has been a perennial complaint that decision-making within the EU has been fragmented.

Even the omniscient global financial markets sometimes have trouble working out who is in charge. When the European commissioners resigned en masse two weeks ago, the euro dived during the Asian trading session as markets assumed that no-one was minding the shop, only to recover all its losses in Europe, where traders had a

clearer idea of the Commission's limited role.

But if Mr Prodi can give the impression the euro-zone is the sort of place where business can be done, the markets may look upon the euro more kindly. He could also smooth over disagreements between the ECB and national governments, where tensions rumble on, most recently over what Wim Duisenberg, ECB president, called the euro-zone's "disappointing" progress towards fiscal consolidation.

Alison Cottrell, chief international economist at Paine Webber, says the Commission has been "ineffectual" at policy co-ordination over the last few years. But getting the policy side right could help a euro recovery, she adds.

With a background in Italian politics, Mr Prodi should know a thing or two about fragmentation and the credibility gap. It could be that the politician who almost miraculously drove Italy to embrace fiscal prudence and economic respectability as the route into the euro is just the man to do the same for the currency itself.

All the president's men, Editorial Comment, Page 13

Economic slowdown puts pressure on the ECB



ECB watch

By Tony Barber in Frankfurt

The euro-zone's continuing economic slowdown, characterised by an absence of strong inflationary pressures and low business confidence, is putting pressure on the European Central Bank to consider a cut in interest rates on Thursday.

Economists debating when the European Central Bank will cut its benchmark refinancing rate of 3 per cent might, if pressed, acknowledge that the supply of their opinions considerably exceeds the demand.

But the arguments for and against a rate cut are delicately poised ahead of Thursday's meeting of the ECB's Governing Council.

The European Commission last week revised its forecast for economic growth in the 11-nation euro-zone this year

to 2.2 per cent from 2.5 per cent. Overall growth in the five largest economies - France, Germany, Italy, the Netherlands and Spain, which account for 90 per cent of euro-zone gross domestic product - weakened sharply in the last three months of 1998.

At the same time, the most recent monthly surveys of business conditions in France and Germany showed another fall in confidence in February. As for inflation, the ECB said in its

March bulletin there was no large risk that consumer price inflation would exceed its ceiling of 2 per cent in the near future.

Lastly, annual M3 money supply growth, a tool the ECB uses to help determine monetary policy, fell to 5.2 per cent in February from 5.7 per cent in January. However, the annualised three-month moving average stands at 5.1 per cent, above the bank's so-called reference value of 4.5 per cent.

The strongest argument against a rate cut is the euro's 8 per cent decline against the dollar since its launch in January. This weakness has not only in effect eased the ECB's monetary stance, it could also put upward pressure on industrial and consumer prices.

In addition, surveys of the German and Italian manufacturing sectors in March suggest that the weakness of the past six months may at last be ending. "The uncertainty about whether German industry has more or

less stabilised, and the fact that both these surveys are not too bad, both point towards a wait-and-see approach, rather than a cut, from the ECB next Thursday," says Norman Williams of Barclays Capital. Even so, most European economists remain confident of a cut of up to 0.25 percentage points, with a majority still anticipating an ECB move next Thursday or on April 22. The table of euro-zone economic indicators will be published next Tuesday.

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We have the pleasure of inviting you to attend the Annual General Meeting of Shareholders, which will be held on April 22, 1999 at 11.00 a.m. at the registered office at 47, Boulevard Royal, L-2449 Luxembourg, with the following agenda:

1. Presentation of the reports of the Board of Directors and of the Auditor.
 2. Approval of the balance sheet, profit and loss account as of December 31, 1998 and the allocation of the net profit.
 3. Discharge to be granted to the Directors for the financial year ended December 31, 1998.
 4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
 5. Any other business which may be properly brought before the meeting.
- The shareholders are advised that no quorum for the purpose of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may be represented at any Meeting by proxy. Proxy forms and applicable fees, enclosed at the registered office of the companies.
- By order of the Board of Directors

LOCKERBIE

Foreign companies set to gain from end of sanctions

By Mark Hubbard in Cairo

The handover of the two Libyans accused of the Lockerbie bombing cleared the way for the suspension of United Nations sanctions against Tripoli, opening up the possibility for foreign companies to take big stakes in infrastructure and transport projects worth up to \$14bn.

The sanctions regime imposed by the UN Security Council on December 1 1993 froze Libyan assets held abroad, with the exception of oil and gas earnings, and banned the sale to Libya of equipment for use in downstream oil and gas sector operations. The sanctions also imposed a ban on flights to and from Libya, and led to the suspension of operations by Libyan Arab Airlines (LAA), the national carrier.

British Aerospace of the UK has been in discussions with Libya aimed at securing a \$9.6m deal to refurbish LAA's fleet by providing new aircraft, as well as training pilots and technicians and reconstructing airports. Discussion of post-sanctions business was deemed by the UK government not to have broken the sanctions regime. Libyan plans to build a

new 2,178km railway the length of its coastline and inland are expected to lead to contracts worth \$4bn, while the upgrading of port facilities is also a probable area in which foreign companies will play a big role.

European oil companies have accelerated investments in Libya ever since the US government abandoned plans in May 1998 to fine any foreign company investing more than \$40m annually in either Libya or Iran.

With European oil companies well established in the country, US companies are now determined to resume their presence in Libya. This was halted in 1996 when US unilateral sanctions, which are still in force, were imposed, forcing five big US companies to abandon up to \$2bn worth of fixed assets and forfeit business worth up to \$2.1bn a year. Libya has said their assets will be returned to the companies when they resume operations in the country.

Growing European demand for Libyan oil, which currently stands at 1m barrels a day, and gas, has intensified the US companies' determination to return.

"We still have assets there, operated by the Libyan government. And if we were permitted by US law we would go back," said a spokesman for Conoco of the US earlier yesterday. "We don't believe that unilateral sanctions are very effective, and we would take the position that [with the UN sanctions lifted] there shouldn't be a unilateral stance by the US. If they are lifted, we will definitely go back."

Col Muammer Gaddafi, the Libyan leader, last year promised Italian companies they would be given priority in the awarding of post-sanctions contracts. Up to 31 per cent of Italy's oil consumption is accounted for by Libyan supplies of around \$90,000 b/d, and the 51 per cent state-owned oil company Eni is now advancing plans to build a \$3.8bn gas pipeline between Libya and Italy.

Libya's attraction to the non-hydrocarbons sector will, however, be strongly influenced by its ability to pay for the contracts which are under discussion.

Oil price fluctuations have allowed Libya to limit the impact of sanctions on its economy for much of the past 20 years.



A police officer walks past the nose of Pan Am flight 103 in a Lockerbie field in December 1988

But it now faces 30 per cent unemployment, 25 per cent inflation and the burden of a state sector that

employs 700,000 people, or 30 per cent of the population. "They do need capital because of the fall in the oil

price, but we have to weigh the possibility of investment against the attractions of the other markets in the

region," says Angus Blair, head of equities for the Middle East and North Africa at ABN Amro. "The Libyans

will have their work cut out for them when competing with the others that have already opened up to foreign capital."

Libya's economic growth has been influenced strongly by declining oil prices, with oil revenues in 1998 expected to be down 24 per cent on 1997. Even so, government figures show the hydrocarbons sector contributing 22.6 per cent of GDP in 1997, a 40 per cent drop since 1980.

But oil accounts for 95 per cent of foreign earnings and 50 per cent of government receipts. While the government had based its 1999 budget on an oil price of \$18 a barrel, receipts have been down 35 per cent, equivalent to \$11.7 a barrel.

Observance of the sanctions regime has meanwhile greatly diminished detailed knowledge of what potential exists outside the main infrastructure and hydrocarbons-related projects that are Libyan priorities.

"Very few companies have been looking at Libya carefully," says a senior US banker. "We will have to go back to looking at what there might be. But it has significant potential for project finance. After Algeria, it's a big one."

Long road to international trial

1988 Dec 21 - Pan Am flight 103 from London to New York blown up over Lockerbie, Scotland, killing 270 people. All 259 aboard the aircraft died, as well as 11 on the ground.

1991 Nov 14 - US and Britain accuse Libyans Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah of involvement in the bombing. Libya denies any involvement.

1992 Mar 31 - Security Council Resolution 748 tells Libya to surrender suspects by April 15 or face worldwide ban on air travel and arms sales, and restriction on diplomatic presence.

Apr 15 - UN air and arms embargo takes effect. The sanctions were to be reviewed every 120 days.

1994 Jan 22 - Libyan leader Muammer Gaddafi says a trial in The Hague for the two suspects could resolve dispute.

1995 Mar 23 - FBI offers record \$4m reward for information leading to the arrest of the two Libyan suspects.

1997 Jun 11 - Libya says in a letter to the UN secretary-general that sanctions had caused losses to Libya of \$23.5bn.

1998 Feb 27 - International Court of Justice rules it has jurisdiction to hear the Libyan complaint, in a move hailed by Libyans as a victory for them.

Aug 24 - Britain and US agree two suspects can be tried in The Hague under Scottish law.

Aug 27 - UN Security Council unanimously endorses a US-British plan for a trial in the Netherlands.

Dec 21 - Gaddafi calls for international trial.

1999 Jan 2 - Tony Blair, British prime minister, says he will ask South African President Nelson Mandela for Lockerbie help during a South African visit.

Feb 26 - Britain and US say Libya has 30 days to hand over suspects. Libya says it cannot accept the deadline.

Mar 18 - Mandela, with Gaddafi at his side, announces in Tripoli that the two suspects will be handed over by April 6. The agreement says they will be tried in the Netherlands by a Scottish court.

Apr 5 - Suspects handed over, sanctions suspended.

Clues overlooked in rush to blame Syria and Iran

Political imperatives and false trails clouded the investigation before the focus switched to Libya, reports Harvey Morris

Investigators of the Lockerbie bombing spent a year and a half pursuing the trail of a Palestinian guerrilla connection before concluding, in mid-1986, that the evidence pointed to Libya.

Among the clues overlooked during this time was a fax sent to Tripoli two months after the bombing by the head of the Libyan interests section at the Saudi Arabian embassy in London, Salaheddin Msalleh.

It read as follows: "Our revenge has been taken for our martyrs of American aggression by the slaughter of the American and British Imperialists. The American plane which crashed included some of the savage

American forces departing from Frankfurt to New York, via London. In my name, and that of my fellows, we congratulate the heroes who did this act."

In the early months of the inquiry, all the circumstantial evidence appeared to point to the bombers being linked to the Popular Front for the Liberation of Palestine-General Command, headed by Ahmed Jibril, a former Syrian army officer.

His name was first put forward as a suspect within 24 hours of the airliner going down. In the process, Syria and Iran were fingered as likely patrons of the attack. As late as September 1988, Americans close to the

investigation said Federal Bureau of Investigation inquiries pointed "unerringly" to an Iranian connection to the bombing.

The Jibril connection was based on the outcome of a West German Bundeskriminalamt operation, two months before Lockerbie, in which Mr Jibril's West German cell was rounded up in possession of weapons and explosives apparently being stockpiled for attacks on western airlines. The West German agents were acting on a tip-off from Mossad, the Israeli intelligence agency.

Amazingly, all but two of 16 suspects were released and the unlikely claim was that they went ahead with

the Lockerbie plot even after their cover had been broken.

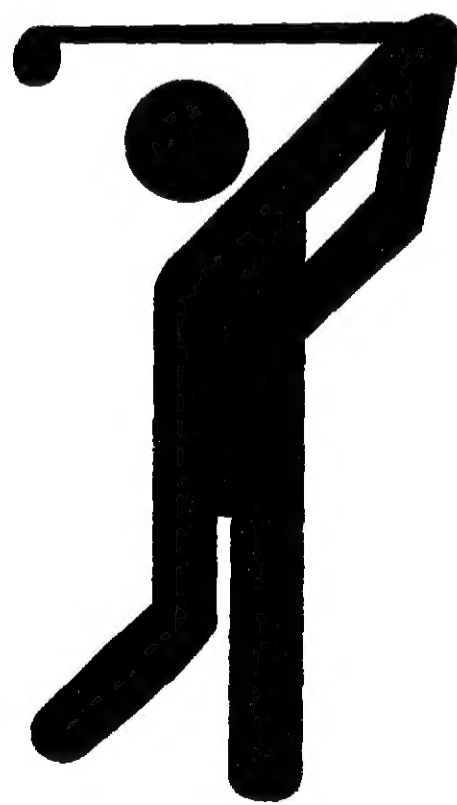
The political imperative of establishing an Iranian-Syrian connection appears to have clouded the inquiry and led to investigators overlooking clues to Libyan involvement.

Various false trails - other theories had it that the renegade Palestinian Abu Nidal was involved, or that it involved a failed CIA drugs sting - also obscured the fact that Libya had a motive for the bombing. Tripoli was bombed in 1986 by US aircraft flying out of the UK. Among the victims was Col Muammer Gaddafi's adopted daughter.

As attention finally switched to Libya early in

1990, investigators discovered in the wreckage a fragment of circuit board identical to one seized from two Libyan secret agents arrested at Dakar airport, Senegal, 10 months before Lockerbie. This had in with new evidence that less than a month before the bombing a Libyan had walked into a shop in Malta and bought a variety of clothing, tattered remnants of which were later found in the Lockerbie wreckage.

Since details of the evidence pointing to Libya first emerged in a British newspaper in December 1990, western investigators have not swerved from their allegation that Libya, or at least Libyan nationals, were responsible for the terrorist attack.



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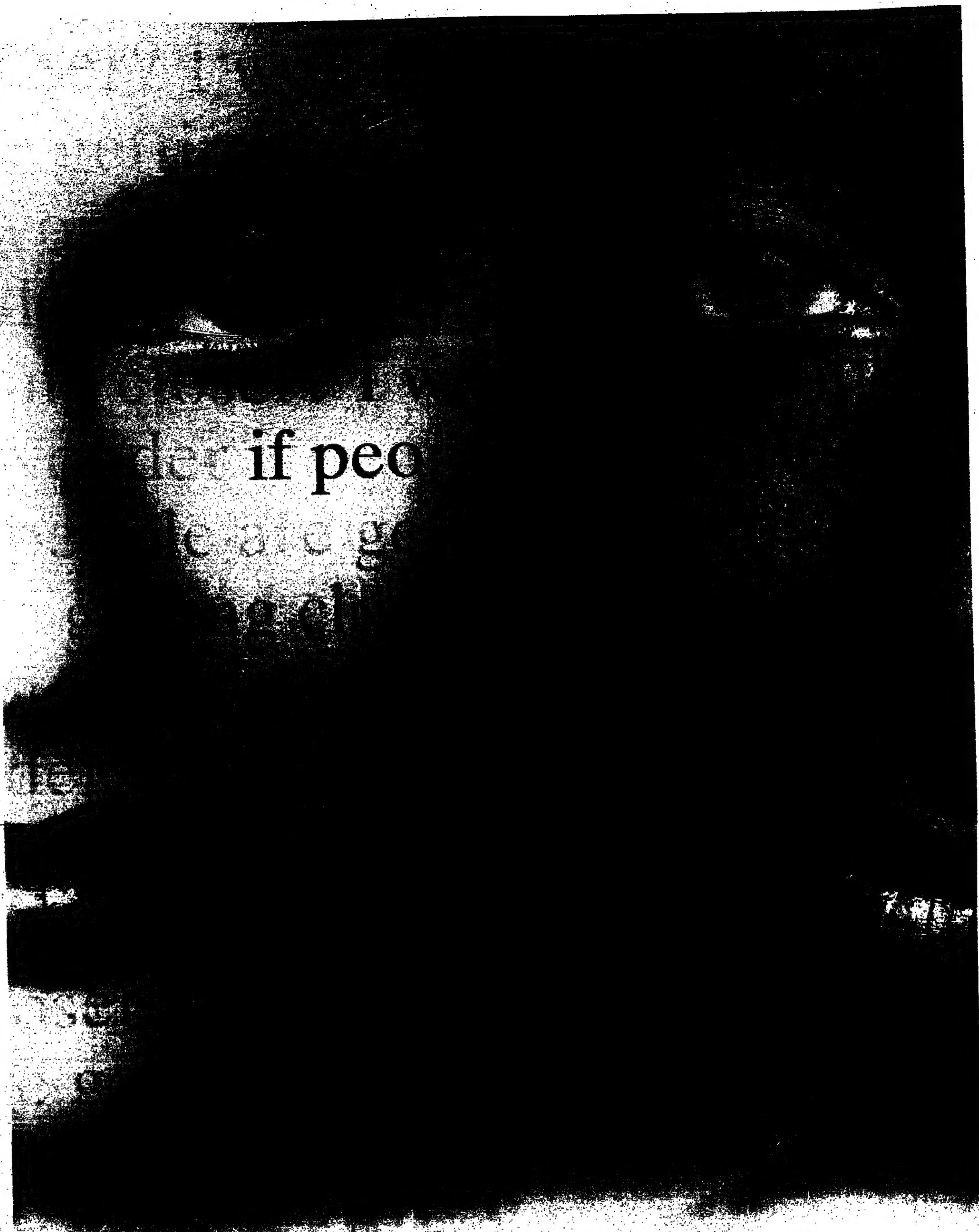
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FISCAL STIMULUS FURTHER LARGE BOND ISSUES SEEN AS LIKELY TO ADD TO STRAINS ON STATE FINANCES

Poor revenues hit China's growth hopes

By James Kyng in Beijing

Acute strains on China's central government revenues have compromised Beijing's ability to extend a fiscal stimulus programme - the main engine of economic growth - beyond this year, according to a leading budget expert.

"China's active fiscal policy must be a short-term measure. It is not sustainable," said Liu Ronggang, a budget expert at one of China's top government think-tanks, the Chinese Academy of Social Sciences (CASS).

"The longest it can be carried on for is until the end of this year. It can't be pursued further than that without significant risks," said Mr Liu, who is director of the Institute of Finance and Trade Economics at CASS.

Mr Liu's judgment challenges the conventional wisdom that Beijing enjoys considerable fiscal latitude and can continue its "new deal" infrastructure spending programme for several years to come.

Such reasoning is often justified by the fact that China's budget revenue is only 1.8 per cent of gross domestic product and total debts

amount to just less than 10 per cent of gross domestic product - both modest by international standards.

But such yardsticks overlook more telling measurements of China's fiscal health.

Total central finance revenues last year were RMB548.3bn (\$86.2bn), more than half of which - or RMB331.1bn - was derived from debt issues. A total of RMB235.1bn, or 42.8 per cent of total central finance revenues, was spent in servicing existing domestic and foreign debt.

These figures, which are high by international standards, work to constrain China's ability to issue more bonds such as the RMB100bn special infrastructure bond issue launched last August to spur economic growth.

But it is the country's feeble tax revenues that make the situation critical. China's central government revenues amounted last year to just 12 per cent of gross domestic product, a level reminiscent of Russia.

"The level of budget revenue relative to GDP means that the government's ability to conduct macro-economic policy is reduced," said Mr Liu.

Further large bond issues would add strain to state finances, and could start to affect China's sovereign credit rating. "The fiscal situation is at the core of our worries. We would be very concerned if China was to issue another big infrastructure bond this year," said one analyst at an international institution.

The fiscal problems have important implications. China's official statistics claim that 4.3 percentage points of last year's 7.8 per cent economic growth was derived from fixed asset investment driven by the fiscal spending package. If China feels

unable to repeat such a stimulus this year, headline growth could suffer.

All this has led to a search for alternatives. One proposal being studied by the finance ministry would permit local authorities for the first time to issue bonds, to be serviced from local government tax revenues.

But two main factors are believed to be stalling approval for this plan. First, it would necessitate a shift of power from central to local authorities. Second, money could be wasted by local officials siphoning off the proceeds of bond issues.

Indian coalition under threat

By Amy Louise Kazmin in New Delhi

India's ruling Bharatiya Janata party-led coalition yesterday edged towards collapse when its important but temperamental southern ally decided that two ministers from the party should resign from the government's council of ministers.

After an evening meeting with her loyalists, J. Jayalalitha, the former film star who heads the Tamil Nadu-based AIADMK party, decided that Thambi Durai, law minister, and M.R. Janarthanan, the minister of personnel, would submit their resignations today. Ms Jayalalitha said she would be in New Delhi from April 12 for a series of meetings with political leaders before deciding whether to withdraw her party's support for the government.

The announcement was the latest move in a mounting confrontation between the BJP and Ms Jayalalitha over the defence minister, George Fernandes. Over the weekend, Ms Jayalalitha, who commands the loyalty of 18 parliamentarians, said her party's continued support for the BJP government would depend on the transfer of Mr Fernandes to a less sensitive ministry, and the reinstatement of former navy chief Admiral Vishnu N. Bhagwat, sacked by Mr Fernandes.

The BJP rejected Mr Jayalalitha's demands after a cabinet meeting yesterday morning. BJP spokesman, Pramod Mahajan, insisted the coalition would be able to survive a test of strength if necessary, when Parliament resumes its budget session on April 15.

Mr Jayalalitha, who faces a variety of corruption charges, has threatened to leave the BJP-led coalition on several other occasions.

Cardoso returns to the public eye as confidence seeps back to the Brazilian economy

Geoff Dyer finds the president has put the dark days of January's currency crisis behind him and is planning useful reforms

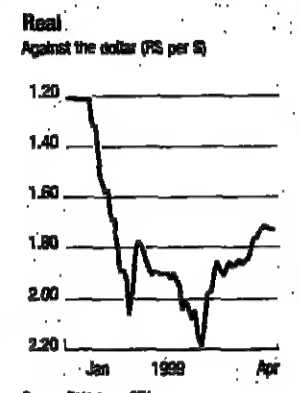
Few heads of state in the world would casually mention the name of Jürgen Habermas, the German philosopher, in normal conversation. Yet such elevated name-dropping says much about the state of mind of Fernando Henrique Cardoso, Brazil's professor-turned-president.

Since Brazil was plunged into a currency crisis in January, Mr Cardoso has been almost conspicuous by his absence. His touch seemed to be deserting him and with the outlook so uncertain, he preferred to say little. Some allies began to fear that he had lost his nerve.

In personal terms, at least, Mr Cardoso has now put the dark days of January behind him. For Cardoso-watchers, the intellectual brio behind the long-term fiscal outlook, with investors asking what will replace the emergency cuts that have been made. Permanent solutions need to be put in place. Mr Cardoso now admits this was the biggest mistake of his first term.

"We should have been more severe about controlling federal expenses and in encouraging the governors to do the same," he says.

A huge array of fiscal reform proposals stand in front of Mr Cardoso. There is a plan to shake-up the tax system, which places an excessive burden on a small part of the productive economy and which does not



instruments are now in the hands of the executive branch, said Mr Cardoso, in an interview last week at the Planalto Palace in Brasília.

Granted, the surge of optimism in Brazil could prove to be short-lived. But given that the biggest dangers facing Brazil were in the short-term - that the devaluation would quickly spin out of control, sparking high inflation and domestic debt problems - even a temporary rebound is no small matter.

Before long, though, attention will start to turn to the long-term fiscal outlook, with investors asking what will replace the emergency cuts that have been made. Permanent solutions need to be put in place. Mr Cardoso now admits this was the biggest mistake of his first term.

"We should have been more severe about controlling federal expenses and in encouraging the governors to do the same," he says.

A huge array of fiscal reform proposals stand in front of Mr Cardoso. There is a plan to shake-up the tax system, which places an excessive burden on a small part of the productive economy and which does not

clearly establish the responsibilities of different levels of government. Another reform, the fiscal responsibility law, would punish politicians who exceed their spending limits.

The government wants this year to renew a law which allows it to retain some of the revenues that are supposed to be passed on to the states and it might decide to push for a new round of cuts to the pension system.

Competing for space with these proposals are a plan to reform the political system, introducing parliamentary districts and greater party discipline, and a blueprint for improving the efficiency and transparency of the judicial system.

Mr Cardoso says that his main priority is the fiscal responsibility law, which he thinks stands a good chance of being approved. "Some modest additional changes will be made to the pension system as well," he says. Tax reform, which has been on the agenda since 1995, is a more complicated matter, however. "This year we will first start a discussion on the subject and, maybe, approve a few small parts of the reform."

Given the considerable risks still facing Brazil, this might seem like an unambitious agenda for the more sceptical observer. Moreover, Mr Cardoso has only until the middle of next year to push reforms before political life is emancipated by first municipal elections and then presidential polls.

It also reflects the political realities of Mr Cardoso's position. With recession biting, his poll rating is falling sharply, which limits Mr Cardoso's ability to exert influence over the fractious five-party coalition that



Cardoso: priority is fiscal responsibility law

backs him in Congress. Some analysts expect him to keep a low profile until well into the second half of the year, when the government hopes that economic activity will be rising again.

Moreover, all the governments reform plans face stiff opposition, even the fiscal responsibility law, which does not require a lengthy change in the constitution. Local politicians, unhappy about facing fines for mismanagement of funds, are likely to press friendly members of Congress to dilute its provisions.

Critics say Mr Cardoso is not assertive enough in pushing his reform plans, relying too much on negotiation and consensus-building. He counters that this ignores the complex nature of the Brazilian politics. The important thing is to have a historical understanding of how the political and social system works.

Previous governments that tried to impose their ideas always failed, he says, even under the military dictatorship. Mr Cardoso must hope that investors do not mistake his patient finessing of change for complacency. If markets are not convinced that long-term solutions to Brazil's fiscal problems are being implemented, the country could soon find itself back in a hole.

Help with 'window dressing' may cost Tokyo's foreign banks dear

By Shimon Tetz in Tokyo

In recent years the arrival of spring has traditionally left western bankers in Tokyo nursing an embarrassing secret.

Every March, Japanese banks have scrambled to flatter their fiscal year results through a variety of accounting tricks. And equally regularly, western analysts have denounced this as "window dressing".

But at the same time, some western banks have also secretly helped Japanese clients with this charade by providing complex financial services. And though the scale of this business is unknown, it has been highly profitable for some banks. "It's been lucrative," admits one European banker. "The Japanese banks have been desperate, and they cannot do it for each other - so they turned to us."

This year, however, the charade has a dangerous edge. For as Japan presses ahead with banking reform, its regulators are scrambling to tighten compliance standards. And this is not only prompting criticism of Japanese banks' "window dressing" practices, but triggering scrutiny into the role played by their western counterparts.

One sign of this has been a surprise inspection into the Tokyo operations of Credit Suisse group which was started by the Financial Supervisory Agency, Japan's banking

watchdog, in January. The FSA has not publicly discussed the inspection. And CS is maintaining a stony silence. But FSA is trying to ascertain whether CS helped Japanese banks such as Long Term Credit Bank to hide losses in recent years. And the FSA is treating the case seriously: it has assigned a quarter of its

Western brokers have temporarily bought shares from Japanese banks to allow their clients to record a profit

inspectors to the matter, made extensive use of material it collected in a separate inspection into 19 Japanese banks last summer, and now has taken the investigation overseas. As Hidechiro Homonaka, deputy head of the FSA says: "I understand that CSFB [Credit Suisse First Boston] is now co-operating with our inspectors in Hong Kong, London and New York."

The FSA has not produced any public evidence of wrongdoing. But the inspection has caused unease among CS's rivals. For what makes the FSA inspection potentially so damaging is that the concept of a "legal"

trade has often been ill-defined in Japan. Conversely, many western banks could have potentially fallen foul of the law in recent years - if the FSA used a narrow definition of the law.

The essential problem is that "window dressing" comes in many forms. At one of the spectrum, some Japanese institutions have engaged in *tobashi* - or the illegal practice of shuffling losses into secret accounts. But Japanese institutions have also used completely legal tricks to flatter their accounts, such as temporarily selling high risk assets to remove them from the balance sheet.

Between these two extremes lie a multitude of grey trades. Japanese brokers, for example, have recently been trading bonds at artificial prices to help clients conceal losses. Western brokers have temporarily bought shares from Japanese banks to allow their Japanese clients to record a profit on their equity portfolios - before selling them back to the same bank. Meanwhile, western investment banks have also sold derivatives which can disguise losses. As one manager in a large Japanese city bank says: "Every year [western banks] would come to us and say 'We've got these derivatives which can help you hide losses - can you want some?'"

Some bankers hope that this ambiguity may make it hard for the FSA to prove

any wrongdoing, unless the Japanese banks can be persuaded to testify against their western counterparts. But others argue that it could also make any western bank a target, particularly if politicians wanted to retaliate against the foreign banks which are now winning a growing market share in Japan.

The FSA, for its part, denies any political motive. "We are treating western and Japanese banks equally," says Mr Homonaka. But most western banks are scrambling to clean up their act. Some claim that the level of "window dressing" has dropped sharply this year, partly because Japanese banks are in a stronger position after receiving an injection of public funds. As one US banker says: "In the last two years we had good business selling credit risk derivatives to Japanese banks to help improve their capital adequacy ratios. But that dried up this year - there is no demand."

Whether this represents a trend will not become clear until the banks' 1998 fiscal results are published next month. But if "window dressing" is really disappearing, it will delight some outside observers. As Christopher Wells, head of the financial services committee at the American Chamber of Commerce says: "Creating transparency is essential for Japanese markets. We welcome steps the FSA takes to promote this."

NEWS DIGEST

POLITICKING IN NAZARETH

Likud accused of stoking Moslem-Christian enmity

Nazareth city officials yesterday accused Israel's governing Likud and Jewish religious parties of stirring up tensions between local Christian and Moslem communities following a day of riots and demonstrations that left 27 injured and Christian shops ransacked.

The riots ended yesterday morning after government officials and Israeli Palestinian Knesset members forged an accord between the communities. At issue is land in front of the Church of the Annunciation in Israel's largest Palestinian city. The municipality wants to build a square to accommodate pilgrims during millennium celebrations. Moslem officials claim the land is property of the Waqf, the Moslem religious trust. The city claims it was handed the land by the Israeli authorities for the millennium.

Moderate Christian and Moslem officials say the city has become a political football for next month's elections, with Likud as well as Shas and United Torah Judaism, the ultra-Orthodox parties in Benjamin Netanyahu's coalition, promising both communities different compromises. Judy Dempsey, Jerusalem

OPPOSITION FROM US

Elf signs Iran gas deal

Elf Aquitaine of France and Bow Valley Energy of Canada have signed a contract to develop an Iranian offshore oilfield. Elf's second deal with Iran in just over a month, its subsidiary Elf Petroleum Iran has an 85 per cent interest and will be the operator for the Balal oil project, estimated to cost \$300m. The US has disapproved of European oil investments in Iran and Total recently sparked a diplomatic row in 1997 when it announced a \$2bn gas deal with Iran. In Total's case, the Clinton administration finally issued a waiver for the deal.

A French foreign ministry spokesman said France did not recognise the legality of the extra-territorial reach of US legislation. Elf said the Balal field lay 100km south of Lavan Island and had recoverable reserves put at 100m barrels of good quality oil.

On March 1, Elf and Agip, a subsidiary of Italy's ENI signed a \$1bn deal to redevelop Iran's offshore Doroud oilfield in a similar buy-back contract. Reuters, Paris

FRENCH INDUSTRIALIST

Ambroise Roux dies

Ambroise Roux, the grand old man of French capitalism, has died at the age of 77. In his 12 years as chairman of Compagnie Générale d'Electricité, the engineering and telecommunications conglomerate which became Alcatel-Alsthom, from 1970-82, Mr Roux built a reputation as a supreme string-puller at the top of the French establishment. Leaving his post when CGE was nationalised by the new leftwing government, he remained an influential figure at the head of the Association Française des Entreprises Privées, described by Le Monde as the most effective French capitalist lobby since the Liberation. President Jacques Chirac yesterday described Mr Roux as "one of the great figures of French capitalism". David Owen, Paris

NIGERIAN APPEAL COURT

Election result confirmed

Nigeria's appeal court yesterday upheld Olusegun Obasanjo's victory in February's presidential poll, averting fears that a bid by his defeated rival, Olu Falae, to overturn the result would upset the transition to civilian rule. At the election tribunal, Chief Falae charged that rigging was on such a scale as to have tipped the result in Gen Obasanjo's favour, despite a margin between them of more than 7m votes.

At the time, both international and local observers noted widespread irregularities but most concluded that both sides were to blame. Chief Falae's determination to go through with the case prompted opposition from Nigerians, including some of his own political allies, who feared it could provide grounds for a prolongation of military rule. William Wallis, Lagos

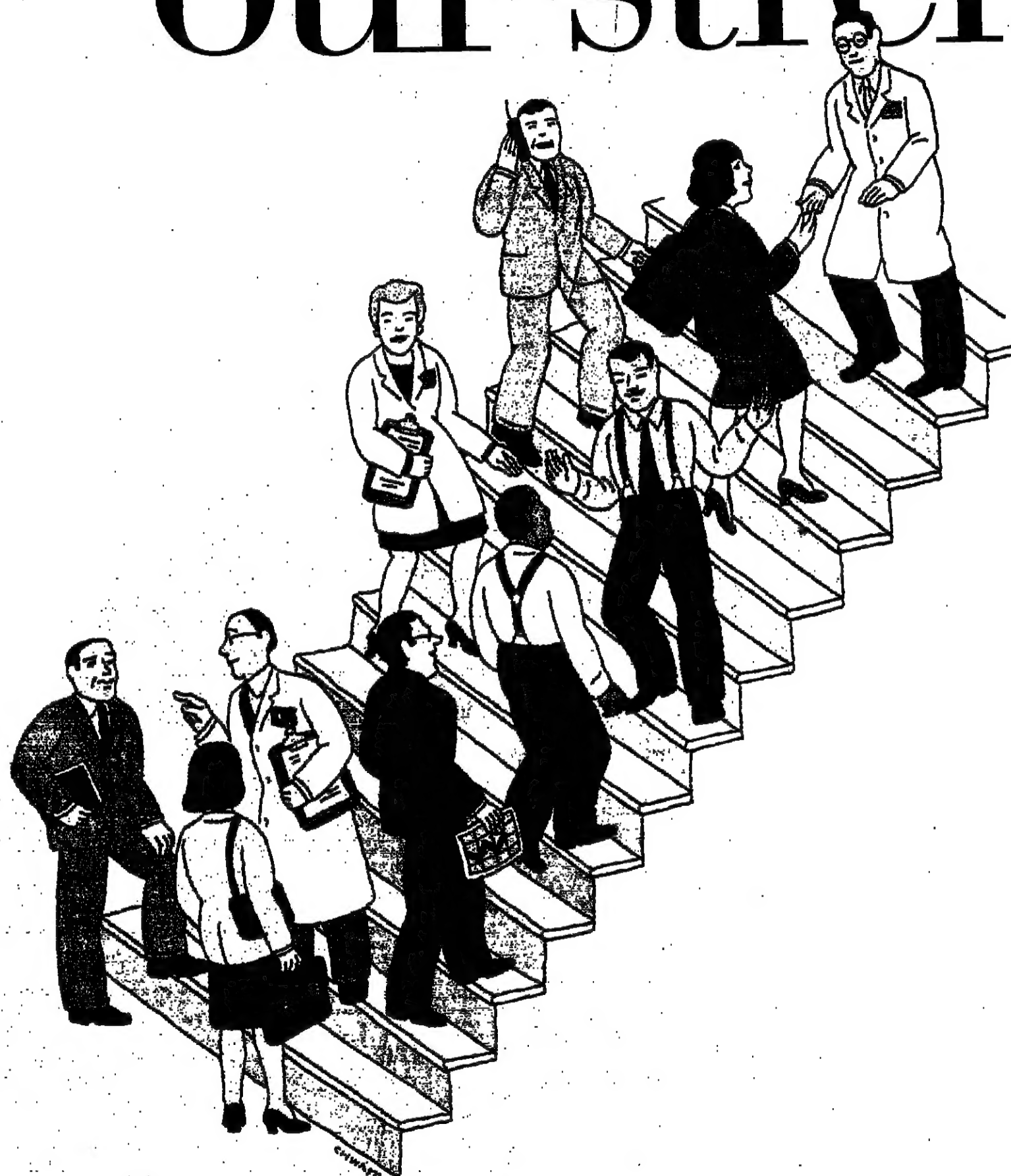
INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1989	1.0	4.2	8.99	8.50	3.43	4.1	10.6	5.31	5.16	0.46	6.3	5.7	7.12	6.80	2.22
1990	3.8	5.5	9.06	8.55	3.50	2.6	6.5	7.82	6.90	0.85	4.5	4.5	8.49	8.65	2.11
1991	5.2	6.0	3.7	5.87	7.96	5.2	7.21	6.40	0.75	6.1	5.5	8.25	8.42	2.58	2.58
1992	12.5	1.9	3.75	7.00	2.95	4.5	-0.4	3.78	5.24	1.00	7.0	8.1	9.59	7.80	2.45
1993	11.6	1.1	3.22	5.86	2.78	3.0	1.4	2.95	4.18	0.87	9.4	7.8	7.28	6.47	2.11
1994	6.2	1.4	4.67	7.09	2.86	8.4	2.9	2.23	4.20	0.78	8.6	9.0	5.38	6.86	1.77
1995	-0.2	2.1	5.35	6.87	2.61	8.2	3.2	1.22	3.36	0.96	3.7	0.6	4.33	6.82	2.30
1996	-3.2	4.8	5.41	6.43	2.15	13.7	2.9	0.58	3.03	0.75	10.4	7.5	3.31	1.81	1.81
1997	-3.3	5.0	5.59	6.34	1.73	8.8	3.8	0.59	2.34	0.87	8.4	5.2	3.32	5.65	1.46
1998	0.9	7.4	5.58	5.26	1.46	8.1	3.9	0.72	1.49	1.01	5.6	4.4	3.54	4.58	1.21
2nd qtr-1998	1.3	7.2	5.50	5.98	1.42	7.9	3.4	0.64	1.63	0.99	6.3	4.0	3.81	4.89	1.22
3rd qtr-1998	0.6	7.3	5.55	5.19	1.27	7.2	3.8	0.68	1.39	1.03	6.0	4.2	3.51	4.39	1.25
4th qtr-1998	1.8	8.5	5.10	4.66	1.42	7.3	3.9	1.09	1.07	1.00	6.0	5.6	3.52	4.00	1.44
1st qtr-1999	0.7	8.4	4.83	5.00	1.27	7.0	3.8	0.48	1.89	1.00	6.0	5.6	3.52	4.00	1.43
April 1998	1.4	7.0	5.48	5.83	1.41	6.1	3.6	0.71	1.82	0.99	7.2	4.0	3.83	4.80	1.24
May	1.4	7.2	5.31	5.86	1.42	8.0	3.9	0.82	1.37	0.96	6.6	3.7	3.83	4.88	1.23
June	1.4	7.2	5.31	5.86	1.42	7.4	3.4	0.60	1.28	1.01	6.1	4.3	3.56	4.80	1.19
July	0.7	7.3	5.51	5.49	1.42	8.1	3.5	0.74	1.42	0.95	5.0	4.2	3.54	4.89	1.14
August	0.0	7.1	5.50	5.33	1.48	7.9	3.8	0.75	1.47	1.02	5.9	4.0	3.50	4.42	1.22
September	0.9	7.5	5.35	4.80	1.56	7.6	3.8	0.55	1.05	1.11	7.2	4.5	3.49	4.04	1.38
October	1.7	8.2	5.10	4.52	1.56	7.7	4.3	0.82	0.92	1.02	8.0	5.5	3.83	4.10	1.38
November	2.0	8.5	5.15	4.84	1.59	7.7	4.3	0.82	0.92	1.02	8.0	5.5	3.83	4.10	1.38
December	1.7	8.8	5.07	4.65	1.33	5.7	3.9	0.82	1.47	1.03	11.1	5.2	3.87	3.72	1.39
January 1999	1.6	8.7	4.82	4.71	1.27	5.1	3.6	0.87	1.86	1.05	6.1	5.2	3.87	3.72	1.31
February	1.5	8.4	4.82	5.00	1.28	5.8	3.5	0.82	2.03	1.03	6.1	5.2	3.87	3.72	1.31
March	1.5	8.4	4.84	5.22	1.26	5.8	3.5	0.82	2.03	1.03	6.1	5.2	3.87	3.72	1.31
FRANCE	7.5	10.0	9.40	8.79	2.86	7.2	5.5	12.42	11.61	2.46	5.9	17.4	13.96	10.11	4.36
1989	3.8	9.3	10.32	9.92	3.19	9.2	7.0	11.98	11.87	2.54	5.3	15.9	14.82	11.58	5.07
1990	-4.7	2.3	9.62	9.03	3.68	7.3	6.9	11.83	13.20	4.45	2.4	7.9	11.58	10.08	4.97
1991	-0.3	5.4	10.36	8.57	3.55	6.9	3.1	13.86	13.29	3.83	2.4	5.1	9.59	9.09	4.91
1992	1.1	-3.0	8.55	8.75	3.21	4.7	2.8	8.46	10.56	1.57	4.9	3.5	5.99	7.40	4.01
1993	2.5	1.7	5.84	7.21	2.59	6.6	3.6	8.46	10.56	1.57	4.9	3.5	5.99	7.40	4.01
1994	7.2	4.4	6.60	7.53	3.17	0.4	-1.8	10.38	12.22	1.72	5.8	5.1	5.87	8.01	3.94
1995	0.6	-0.7	3.94	6.32	3.05	1.0	0.2	8.75	8.43	2.19	6.7	10.0	6.11	7.79	4.08

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Cash flow	368 million	+ 60
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Equity capital	1.6 billion	+ 8

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BRITAIN

CHILD CARE PARENTS WILL BE ABLE TO ACCESS OFFICIAL DATA TO CHECK IF CANDIDATES HAVE CRIMINAL RECORDS OR ARE OTHERWISE DEEMED UNSUITABLE

Guidelines on hiring nannies to be unveiled

By Rosemary Bennett in London

The UK government will today unveil guidelines for parents who employ nannies or au pairs in their homes to look after children.

It has rejected calls from professional childcare groups for a register of nannies because it says the large number who come to work in the UK from overseas would make this unworkable.

It also wants to send a signal to parents that they are responsible for whom they employ.

Under the guidelines, parents will be informed they can use the new Criminal Records Bureau to vet potential employees. They can also access lists of people deemed unsuitable to work with children. The lists have been drawn up by the Department of Health and

the Department for Education and Employment.

The guidelines will be distributed to doctors' surgeries, libraries and supermarkets.

"The new guidelines will take parents through the various steps they should go through before hiring a nanny and let them know what sort of records they can check. But in the end it is their responsibility,"

said a junior minister.

Government officials said there was concern that a national register would raise the question of qualifications and drive away competent childcare workers with no formal training.

The guidelines are the latest in a series of government initiatives to improve the supply and quality of childcare. This is crucial if other government programmes,

such as the welfare-to-work

scheme for the long-term unemployed, are to succeed.

Ministers are drawing up a code of conduct for nanny agencies. From the autumn, agencies that sign up to the code will get a government seal of approval, or "kite-mark".

The code will cover carrying out police checks on nannies and a guarantee that references have

been carefully followed up.

The government has also issued local authorities with new guidelines for the registration of childminders.

Loopholes in the current system have been highlighted over the past year following high-profile court cases dealing with the killing and neglect of children.

These included the case of an Australian nanny found guilty of killing a baby in

her care in London, and a

childminder who shook a baby in her care to death

after it was disclosed she had lied about her criminal convictions and her past as a prostitute to register on a local authority childcare list.

Estimates of the number of nannies and au pairs in British homes vary, but the government says it could be as many as 100,000.

Dissident Tories to back out of crucial contest

By George Parker, Political Correspondent

William Hague, leader of the opposition Conservatives, was given a boost yesterday when it emerged that pro-European rebels from his party are almost certain to fight a crucial by-election in eastern England.

The breakaway Pro-European Conservative party had threatened to field a candidate, sparking a battle between rival Conservative wings. But yesterday, Pro-European Tory leaders said they did not want to be seen as a "wrecking party" and were unlikely to put up a candidate.

The governing Labour party is defending a majority of 3,000 in Newark, where Fiona Jones, the sitting MP, has been forced out of her seat after a conviction for electoral expenses fraud.

The by-election will be seen as a test of Mr Hague's credibility, because the Conservatives would be expected to win back a seat that is traditionally Tory.

The Pro-European Tories, founded by two dissident Conservative members of the European Parliament, could have split the party's vote in the by-election and increased the likelihood of a Labour victory.

The rebel party said it would have fought the seat if the Newark Conservatives had selected a strongly Eurosceptic candidate, such as Michael Portillo. But Richard Alexander, the chosen candidate and former MP, is deemed to have no track record as a champion of the anti-European cause.

Brendan Donnelly, joint founder of the party, said: "Our current intention is we are unlikely to stand a candidate." The new party is thought eager to avoid the probability of a heavy defeat on May 6, one likely date for the by-election, just a month ahead of the European elections on June 10.

Business finds euro does sterling work as a company name

Owners may not favour joining Emu but many believe the new currency at least sounds good. *Melanie Carroll reports*

Rajesh Khara has no doubts that the euro will be good for his business - at least in name.

When the businessman took over a struggling restaurant in Northampton, central England, earlier this month, the first thing he did was change its name to Euro Asia in an attempt to boost trade.

In doing so, Mr Khara's restaurant joined a rapidly growing club of more than 2,000 UK businesses that feel there is some competitive advantage to be gained through association with Europe's fledgling single currency by name at least, if nothing more.

Ten times as many UK businesses associate themselves with Europe by name than with the UK, which features in fewer than 300 company names around the country, according to the Scotch national business directory.

Companies flaunting their "euro" credentials range from the predictable - such as the Euro Currency Exchange or Euro Gifts - to the unlikely: Euro Jab, based in Manchester, northern England, is an importer of Japanese-made machinery.

However, the inspiration for these names pre-dates the euro itself. Many owners named their businesses long

before the single currency looked like becoming reality. In fact, a significant number of businesspeople who chose to incorporate the word euro in their company name are firmly opposed to the currency and closer relations with continental Europe. For them, the word simply evokes modernity, a nod to internationalism they hope will encourage potential clients.

The Euro Asia restaurant did well out of its association for 12 years, until new owners changed its name to the Faad Thali House last year. Business dried up soon afterwards.

Mr Khara, who took over earlier this month, has reverted to the old name to win back customers.

But he is among those who do not favour closer ties with the rest of Europe. "I don't think the UK should join economic and monetary union. I'm happy with the pound. My struggle is to run this business, I'm putting all my effort into that."

Christina Hood, proprietor of Eurofab, a metals fabricator based in Cornwall, west England, says: "Dealing with Europe is an absolute nightmare. In anything to do with Europe, we always end up the poor relations. The French and Germans are too powerful. We decided on the name



Rajesh Khara changed the name of his restaurant to Euro Asia to boost trade, but does not support closer ties with Europe

Pete Norton

after we saw the European Union's stars advertised on a pen," says Ms Hood. "We thought we had something new, and we were gutted when we found out there were so many others."

By contrast, Robert Brown, the owner of London-based Euro-Live, an internet design business, believes the UK would benefit from

closer relations with the rest of Europe. "People in this country do not have a very Euro-centric view of things, not as much as they should do."

Mr Brown believes the name he has adopted helps counteract the strong UK presence on the internet and to tackle barriers within Europe.

"People in the UK using the web are shut off from Europe because they're not using the languages, so they imagine nothing is happening in Europe. That's particularly the case with French and German. The French are not legally permitted to use English on their web sites."

John Williamson, partner at design consultancy Wolf

Olins, says the word "euro" has acquired enormous cultural significance in recent years. "We're seeing a transition now from a place to a culture, people are starting to use 'euro' more. It's aspirational, not just geographically descriptive."

Few of these Euro-fanatics are convinced they would benefit from membership of

European monetary union, but believe the UK will probably join. "Most currencies are historic and intricate, particularly the US with its eagle, and have some sense of national character. But Europe itself is still being formed, there's no integrity yet, and so the euro feels artificial," says Mr Williamson.

CONFERENCES, VENUES AND COURSES

CONFERENCES		COURSES		VENUES												
APRIL 22 Competing Through Skills This high-profile conference sponsored by Forum Europe and DISE will tackle the problem of widespread skill shortages in financial institutions as leadership, behavioural and IT skills become even higher on the agenda for the next millennium. Tel: +44 (0) 1902 526757 Fax: +44 (0) 1902 545688 LONDON	APRIL 22 & 23 FT World Pharmaceuticals Distinguished speakers include: Mr Fred Hovan, Pharmacia & Upjohn; Mr Robert Ingram, GlaxoWellcome; Mr Dr Anthony H Wild, Warner-Lambert Company; Professor Dr Howard Meyer, Bayer AG; Mr Henry Wank, Unit of Danubius Lublin; Jennifer Merchant Banking; Mr Eli Horvitz, Teva Pharmaceutical Industries Ltd; Mr Colin Poyl, INS HEALTH. Contact: Monique Arkeszaj FT Conferences Tel: +44 171 873 3375 Fax: +44 171 873 3367 E-mail: monique.arkeszaj@ft.com LONDON	APRIL 22 - JUNE 1 FT City Course The FT City Course, which takes place over 8 weekly afternoon sessions, provides an excellent introduction to the City of London as a major financial and trading centre. Speakers include: Mr Roger Miles, British Bankers' Association; Mr John Sheppard, Dresdner Kleinwort Benson; and Mr Naresa Sompur, Banque Nationale de Paris. Contact: Monique Arkeszaj FT Conferences Tel: +44 (0) 171 873 3375 Fax: +44 (0) 171 873 3367 E-mail: monique.arkeszaj@ft.com LONDON	June 7-8 Introduction to Financial Markets An excellent overview of the City and its international financial markets covering the major bodies in securities markets, the instruments traded, analytical approaches, and the functions and responsibilities of the participants. A variety of practitioner speakers provide a clear understanding of the structure and workings of the financial community. Contact: Mike Lewis, City University Business School Tel: 0171 477 8710 E-mail: m.lewis@city.ac.uk Internet: www.city.ac.uk/city/edu/ LONDON	Choose from 3/4* hotels with conference and meetings facilities at value for money prices, accommodating up to 200 delegates. Also offers extensive opportunities for incentive trips, leisure activities and partner programmes. Contact: Katherine Despres Tel: 01481 726611 Fax: 01481 721246 LONDON	ESOMAR WORKSHOPS 1999 • Marketing for Researchers: 28-29 April • Marketing Decision Making: 2-3 July • Using Market Research: 7-9 July For professionals in market research, planning, marketing communications plus regular buyers/purchasers of research. Format: Action oriented, in-depth, interactive, with case studies, exercises and practical exercises. Location: Schloss Henrich, Bernau, near Weimar Participants: limited to 30 For programme registration contact: ESOMAR (European Society for Market Research and Marketing Research) Tel: +31-20-6642141 Fax: +31-20-6642142 E-mail: conferences@esomar.nl AMSTERDAM	APRIL 25 - 28 Marketing in Latin America in the 21st Century A Consumer Response to Global Brands in Latin America - Impact of Media and Advertising - Quality of Opinion Polls in Latin America - Segmentation in e-commerce and culturally diverse markets - Customer Satisfaction case studies Key speakers: Pedro Chicharro, Banco Santander; Kathleen Franklin; CSE; Fernando Espinoza, Starmedia Network. Venue: Sheraton Hotel Santiago, Chile For programme registration contact: ESOMAR (European Society for Market Research and Marketing Research) Tel: +31-20-6642141 Fax: +31-20-6642142 E-mail: conferences@esomar.nl Website: www.esomar.nl AMSTERDAM	APRIL 27 The Race To Raise Your Profile (and your bottom line) Public Relations conference at Aintree Racecourse, Liverpool. Speakers: Max Clifford; Gary Tiley; MEP, Graham Maclellan; Wm. Martin Wainwright, The Guardian; Richard Whately, chief executive, Jazz FM; Christopher Gibaud, chief executive, Newry Partnership; Jon Shaw, Deloitte & Touche. Contact: Georgina Frank at Shaw Motters Tel: 01293 523600 Fax: 01293 521122 E-mail: race2showmotters.com AINTRÉE RACECOURSE, LIVERPOOL	MAY 11 Business to Business Electronic Commerce Growing your Business On-Line The FT Business breakfast. To be chaired by Paul Taylor, Financial Times IT Correspondent, Tom McGuffee, Director of Planning & Logistics, Nestlé UK Ltd, Thomas Power, E-Commerce Consultant; Paul Lindley, Managing Director, the eXchange; Phil Jackson, Managing Director, FleetWich Ltd. Contact: Monique Arkeszaj FT Conferences Tel: +44 (0) 171 873 3375 Fax: +44 (0) 171 873 3367 E-mail: monique.arkeszaj@ft.com LONDON	MAY 11 - 14 Conference on International Securities Lending Co-sponsored by ISLA (UK) and Robert Morris Association (USA), this is the only joint US/European Securities Lending Conference recognized by the industry. Presentations on equity, fixed-income, and derivatives, and on leading association worldwide address leading issues in Europe and around the world. Keynote addresses from the Director General of Operations, European Central Bank and the Director General, Spanish Treasury will be given. Hotel Arts Barcelona, Barcelona, Spain Contact: Loretta Spangler, RMA, mentions the FT at Tel: 215-446-0861 Fax: 215-446-4101 LONDON	SEPTEMBER 8 - 10 Privatisation in Africa Third annual Pan African summit entitled "Privatisation in Practice" will provide a much needed platform for African leaders, managers, private sector, international investors, financiers, academics and others to discuss, debate and offer practical solutions to the issues of privatisation in Africa. Limited sponsorship and speaker opportunities still available. Further information and booking from: Business in Africa Conferences, London Phone: +44 171 495 7949 Fax: +44 171 495 7946 E-mail: info@businessin-africa.com Tel: +44 171 873 3367 E-mail: julia.crossett@ft.com ACCRA - GHANA	Second International Underwriting Congress The Congress's educational forum brings together insurance professionals from around the world. Who should attend? • Life, Disability, Long Term Care, Critical Illness, and Health Underwriters; Claims and Underwriting Executives. • Actuaries • Medical Officers • International Marketing Executives • Reinsurers For information contact: Bridget Poyl in the USA at: Tel: 800 880 2778 Fax: 800 880 2773 E-mail: bryd@champlain.edu Royal Lancaster Hotel, London	Paper & Board Markets in Russia Strategies for one of the world's most exciting and challenging markets. Speakers include top executives from UPM-Kymmene, Rapperswil, KPMG, PlanningJCS, Metso Tissue, Fort James, Volga, Sytykhar, Segstria, Stupar, Russian Ministries/Associations/Duma. With dinner to benefit children's charity. Tel: +44 (0) 1747 838965 Fax: +44 (0) 1747 838963 E-mail: pyrab@btinternet.com www.pyrab.co.uk Supported by: Russian Ministry of Economy and State Committee for Publishing Pyralis, Moscow	Space available. Conferences & Exhibitions. 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MANAGEMENT AND TECHNOLOGY



PEOPLE ON THE MOVE

Grafstein leaves CSFB to manage new investment fund

Laurence Grafstein is leaving his post as head of global telecommunications at Credit Suisse First Boston to help run a new \$1bn telecom investment fund. Grafstein will manage the fund, with Mohamed Amersi, a mergers and acquisition specialist at Jones, Day, Reavis & Pogue, the law firm, and Michael Yagelman, formerly head of media and telecoms at NationsBank Montgomery. The fund is backed by Spain's Telefonica telecommunications group and Onex, a Canadian holding company that has experience of private equity investments. It will invest more than \$1bn in unlisted telecommunications and technology ventures. Grafstein, one of the Wall Street's leading telecom bankers, said: "This is an extraordinary moment in the market for growth investment opportunities and the telecommunications and electronic commerce space". He added: "This fund intends to be the premier vehicle for taking advantage of those opportunities."

A statement said that the fund "will take advantage of the global opportunities that are being generated through convergence and consolidation in the telecom sector today, as well as from the emergence of new technologies". Onex is to commit \$150m to the fund and Telefonica \$250m. Donaldson Lufkin & Jenrette, the US investment bank, is expected to be retained as a placing agent for the balance of the fund which is expected to begin operating on May 1. Juan Villalonga, Telefonica's chairman and chief executive officer, said the fund's unique strength was in combining an independent and experienced management team, a successful financial investing group, and an operator. William Lewis, New York

Senior changes at Korn/Ferry

Korn/Ferry International, one of the world's leading headhunting firms, has announced a series of appointments in an attempt to prepare the firm for further global expansion and to increase its internet executive search business. Michael Wellman is the new president of global specialty practices; James Boone is president of the firm's Americas region; Michael Bekins is president of the Europe region; and Stephen Ronsaville has been made president of the Asia/Pacific region. All four will report to Windle Priem, president and chief executive officer of Korn/Ferry. "The appointments are designed to organisationally strengthen Korn/Ferry in anticipation of further global expansion of our senior level search business," said Priem.

He added that the appointments were also intended to accelerate the growth of Futurestep, the firm's internet-based, mid-level executive recruitment business which is to be introduced worldwide this year. Wellman, 45, will be responsible for the expansion of Korn/Ferry's business in more than 20 international locations. He joined the firm in 1992, became managing director of its New York office in 1995 and for the past year has headed Korn/Ferry's North American north eastern region. William Lewis, New York

Rudd heads bank association

The Norwegian Bankers Association has appointed Torodd Rudd, chief executive of Christiania Bank, Norway's second-largest lender, chairman of the 28-member group. Rudd, 48, replaces Bjarne Borgersen, chief executive of Fokus Bank, Norway's fifth largest, after two years of chairmanship. At the same time, Nils Moe, chief executive of Nordlandsbanken has been elected deputy chairman. Moe, 58, holds a law degree and served two years in Norway's justice ministry. Rudd is taking over during a period of massive restructuring in Norway's financial industry: the country's banks are in the throes of consolidation, joining the merger wave created by other European banks, and the government is reducing its majority stake in Norway's two largest banks. Most recently, Den norske Bank, Norway's largest bank, said it will take over Postbanken, the state-owned bank, in a NOK4.5bn deal. Rudd assumes control after the bankers' association made a bold call to politicians at its annual meeting in March to consider ways to make Norway's banks more competitive or else risk foreign banks gaining the edge in its home market. Valeria Skold, Oslo

Senior shuffle at Continental

Hubertus von Gumbert, 56, is to step down on June 1 after eight years as management board chairman of Continental, the German tyre-maker. In the interests of continuity during a period of rapid change, Continental is proposing that at the next annual meeting shareholders should approve Gumbert as the new chairman of the supervisory board. His replacement as management board chairman is to be Stephan Kessel, 45, who is already a board member of the Hanover-based group. Tony Barber, Frankfurt

Bergeron leads Geac Computer

Geac Computer, the Canadian software services group, has named Douglas Bergeron president and chief executive, effective April 26. Bergeron, 38, faces the task of restoring investor confidence in Canada's largest software company, which saw its share price fall sharply earlier this year following a third-quarter profits warning. Geac's earnings have been hampered by Y2K-related problems that have also driven down the share prices of other enterprise software providers such as Baan and SAP. Bill Nelson, who will remain Geac chairman but step aside as president and chief executive, said the company was looking for a chief executive who has a track record in building a company through acquisitions. Bergeron was chief executive at SunGard Brokerage Systems, the application software division of SunGard Data Systems, a US group with US\$1.2bn in revenues in 1998. He led the company through numerous complex acquisitions in the US and overseas. He will be handed a strong balance sheet, with US\$200m (\$152m) available for acquisitions. Geac has become Canada's largest software group primarily through acquisitions. Edward Alden, Toronto

MANAGEMENT ONLINE STRATEGY

Pioneers flood a niche

John Labate looks at a breed of net marketing specialist making the most of a fresh medium

As large companies race to come to terms with how the internet is reshaping their industries, a new breed of online marketing specialists has sprung up to exploit a widening commercial niche. Robert Ayling of British Airways is one chief executive who understands exactly how swiftly this transformation is taking place. Eager to slash costs, he has said BA is committed to managing fully half its business on the internet by 2003, up from less than 10 per cent today. BA's aggressive drive pits the carrier against other airlines as well as online booking engines such as Preview Travel and Microsoft's Expedia, popular sites for consumers looking for the best deals.

Yet rather than go it alone, BA is working with Agency.com, one of the new US online marketing companies. For over two years Agency.com has developed more than 2,500 web pages for the UK airline, helping shape BA's online strategy with booking and trip-planning services.

The push by traditional companies such as BA, Texaco and Unilever to maximise their internet and intranet operations has powered a surge in growth for two new sets of internet specialists: online marketing specialists, such as Agency.com and Modern Media; and more technically oriented systems integrators like IXL of Atlanta and USWeb/CKS of California.

All are expanding rapidly, with offices in the UK and Europe, fuelled by robust customer demand. In December IXL signed a five-year deal with Delta Air Lines that is worth \$10m in the first year alone.

Why are such deals happening in a sector that hardly existed three years ago? Too often the skills of

traditional advertising and consulting companies are found wanting when it comes to learning the best way to draw customers, spread the brand name and make sales on the internet. "There's a sound argument to be made that people from a traditional agency background don't get the net," says Barry Part, programme director at International Data Corporation, an economic research group in California. "Some web sites don't exhibit a clear understanding of what people are looking for online in the syntax and grammar of the medium."

There is a long list of common mistakes. Some sites, for instance, require a password to be sent by post before access is allowed.

Companies are anxious not to fall into the usual traps, given the risks of launching a web site that fails to attract customers or appeal to existing ones. In an IDC survey of 100 large web sites, the initial cost to build an interactive site averaged \$5.5m, with annual maintenance costs at \$4.2m.

At John Hancock, the Boston-based financial services company, the problem was how to attract consumers of different ages and financial needs. Hancock hired Modern Media in 1997 and launched a transactional web site in 1998 that is having strong results.

In one of its leading product groups, term life insurance, online sales now account for 35 per cent of all direct-to-consumer sales, second only to far more expen-

'There's a sound argument to be made that people from a traditional agency background don't get the net'

sive direct-mail sales. Modern Media provides the strategy and creative design, including graphics, and Hancock's in-house team handles the rest. The programme has been so successful that Hancock expects to have complete underwriting online by next year. Client companies are



Chan Suh: 'This is not a market-share game; the market is exploding'

increasingly coming to the view that merely having a presence on the internet is dated and adds little value. "The real story now is in helping companies upgrade and expand that presence," says G.M. O'Connell, chief executive of Modern Media. According to IDC

estimates, e-commerce is expected to account for some 12 per cent of US gross domestic product by 2004.

In the longer term, however, it remains uncertain whether the internet marketers can hold their lead over competitors. Much of the money backing the sector comes from the top 10 adver-

tising agencies. True North owns 51 per cent of Modern Media, a publicly traded stock as of February. Agency.com is backed by Omnicom, the global agency.

Most traditional marketing firms are attempting to close the gap by developing their own in-house internet divisions. In addition, International Business Machines and other tech-heavy giants are moving into the systems-side support, a market now led by IXL and USWeb/CKS.

Another reason for caution has to do with the recent spate of mergers. A wave of consolidation swept through the online marketing sector last year, and is likely to continue this year, leaving the largest firms with greater revenues.

Most of the firms are privately held, but have estimated post-merger revenues of between \$10m and \$250m. The question remains

whether they can continue growing at a strong clip internally.

"Acquisitions are as important as organic growth" to this stage of the market, says Chan Suh, chief executive of Agency.com. "This is not a market-share game, the market is exploding."

One of the main drivers of the recent consolidation is the hunt for talent, say Mr Suh and others in the sector, as their companies attempt to keep pace with customer demand.

While the bulk of the growth is generated in the US, Europe beckons - only 10 per cent of Agency.com's business comes from companies based outside the US. But with offices in London and Paris, and feelers already out in Singapore, Mr Suh is eager to double the non-US portion in the coming year.



TIM JACKSON ON THE WEB

Outsourcing all the way to the bank

First-e illustrates how new media have reduced entry barriers to what were once bricks-and-mortar businesses

Europe is about to see its most daring internet start-up yet: a consumer bank that provides service only over the web.

The bank, to be known as first-e, hopes to pose a direct challenge to traditional retail banks by taking deposits, offering cheque accounts, and providing brokerage and ultimately other investment services.

The business was founded by Gerhard Buber, a veteran of the direct consumer banking industry who worked for Fidelity in the UK and for Direct Anlage Bank, an execution-only brokerage business in Germany.

Xavier Azalbert, a former colleague of Buber's at Fidelity, the fund manager, will be responsible for the day-to-day operations of the consumer bank. He joined from McKinsey where he was a consultant in the consumer finance industry.

First-e hopes to launch in the UK some time between the beginning of next month and the end of June, depending on the progress of discussions with British financial regulators. Mr Huber believes that most banks are vertically integrated to a ludicrous extent - "as if a car company were to raise the cows that provide the leather in the seats", as he puts it. First-e's approach will be the exact opposite.

Everything possible will be outsourced to reduce fixed costs.

To obtain a banking licence, first-e has done a deal with Banque d'Escompte, a French deposit taker, which can be leveraged under European Union banking rules into a permission to operate in other European countries.

To secure the retail distribution necessary for a consumer banking proposition, first-e has to offer cheque and cash card services. The former will be delivered by means of an outsourcing arrangement with Electronic Data Systems, which also handles cheques for Royal Bank of Scotland; the latter, from a deal with Mastercard which plugs first-e into the UK's network of more than 400,000 cash machines. The bank will have to pay £1.50 every time one of its customers draws cash from a machine: it will absorb this cost from its margins on taking deposits.

Telephone service will be outsourced, too. Using Merchant, an Irish call centre business, first-e will benefit from a team of seven customer-service people who will deal with phone customers using scripts and information provided by first-e.

The company is a perfect illustration of how new communications channels

such as the telephone and the internet are reducing the entry barriers in traditional bricks-and-mortar businesses. A successful precedent is Egg, a deposit-taking venture launched by Prudential, the UK insurer, which has acquired more than 250,000 customers in less than a year.

Yet the Egg case raises two concerns for first-e. Egg's deposit rates are so competitive that they are actually loss-making; the company pays more to depositors than it earns when lending out the money.

That is an expensive way to build a brand. Second, Egg is reputed to be spending £75m (£15m) on advertising in its first year. First-e, by comparison, has a UK marketing budget of only £1.5m. Although Mr Huber believes that his team can be smarter than Egg, the disparity in resources is so great that there must be doubts as to whether the company can acquire a meaningful number of customers with this amount of money.

The advertising strategy will include buying banners on Yahoo's UK finance pages and on the FT's web site, and running a partnership with Interactive Investor, a British personal finance site.

Mr Huber says that he was able to acquire customers at very low cost when at Fidelity, and believes he will be able to achieve an acquisition cost of £150 per



RIGER BERNI

customer or less for first-e.

The business raises some interesting financing issues. It has raised \$15m in equity from four investors, including two European venture capitalists (one of whom is an investor in my own company), Intel, the microprocessor maker, and Metro, the German retailer.

This is the biggest venture capital round ever in the European internet business. But it has not quenched the business's thirst for cash. To meet the capital-adequacy ratios laid down by the Bank for International Settlements in Basel, first-e estimates that it will need to raise another \$31m (\$29m) by the first quarter of 2000 merely to replace its relationship with the French deposit-taker.

Most successful entrants into consumer finance have been the owners of existing strong brands from other sectors - not only Prudential, which was already in the insurance

business, but also names such as Virgin and Tesco.

That is why another business being operated by Mr Huber's holding company may ultimately be more of a success. Called factoree, the company will provide the same retail financial services operated by first-e, but as an unbranded service that can be sold to brand owners for distribution to their existing client bases.

My guess is that Mr Huber may find that the publicity from first-e is more successful at building this "private label" business than in building the first-e brand itself.

But the conclusion must ultimately be a highly positive one. It is encouraging to see such risk-taking from managers in the European financial services business - and more encouraging still to see investors flocking to put money into the venture.

tim.jackson@pobox.com



IT BRIEFS

Transcribing becomes a moveable feat

Transcribing dictated notes, letters or other documents is a laborious task, particularly for professionals on the move. Dragon-Systems, the speech recognition technology group, believes it may have a solution: the first speech recognition system designed specifically for mobile workers.

The system comprises two parts: Dragon's Naturally Speaking English Export Preferred speech recognition software - which supports both British and American English - and a new pocket-sized digital recorder that weighs less than 60g.

The user can create and even format documents simply by speaking into the hand-held recorder. The recordings are downloaded to a PC using a standard serial link cable and the software then transcribes them into text.

The recorded speech, stored in compressed form, can be transcribed at a faster speed than the time taken to record it. The recorder can store up to 40 minutes of dictation using its built-in memory. Up to an additional 81 minutes of recording time can be added by plugging in standard flash-memory cards. www.dragonsystems.com

Recovering lost data

Despite the increasing reliance on personal and mobile computers, many companies are still ill-prepared to recover lost data caused by software incompatibilities, human errors, viruses, vandalism, and other misfortunes.

Hardware and software errors and user mistakes account for nearly three-quarters of all business interruptions and data losses.

Data recovery should, therefore, be a central element in any system management plan. But that usually involves relying on hardware vendors' technical support operations or service bureaux that specialise in disk repair - an option that can be expensive and impractical.

PowerQuest, the fast-growing Utah utility software group, has launched Lost & Found, a user-friendly software package that enables PC users to recover lost data themselves. It was developed by HighPoint Technologies which was recently acquired by PowerQuest. Lost & Found can find a file anywhere on a disk as long as it has not been overwritten, enabling the user to recover files or to check the hidden contents of a disk drive.

It also has a quick-check feature which performs diagnostic tests on disks. Another feature operates like an automatic back-up system, and there is a simple back-up which stores critical files or folders.

PowerQuest has also launched a version of its ServerMagic software which now supports Windows NT. Replacing a server's hard drive can be a lengthy, error-prone process which often entails re-installing the operating system. ServerMagic 2.0 enables systems administrators to upgrade hard drives or expand server disc partitions on-the-fly. www.powerquest.com

Cobalt launch

Cobalt Networks, the network equipment maker based in Mountain View, California, has launched a second-generation version of its innovative rack server systems aimed at large companies and the internet service provider market.

The Cobalt RaQ2 system is designed to be used as a plug-in web-hosting server and can handle more than 10m web pages a day. Instacache software developed by Cobalt allows the servers to be bundled as clustered systems. A comprehensive suite of standards-based internet services and remote administration features are provided. For smaller operations the company has introduced the Cobalt 2 internet and intranet workgroup server. Its features include a built-in web server, e-mail and file serving software. www.cobalt.com

Paul Taylor

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NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 22, 1999 at 10.00 a.m. at the registered office at 47, boulevard Royal, L-2449 Luxembourg, with the following agenda:

1. Presentation of the reports of the Board of Directors and of the Auditor and the allocation of the net profits;
2. Approval of the balance sheet, profit and loss account as of December 31, 1998 and the allocation of the net profits;
3. Discharge to be granted to the Directors for the financial year ended December 31, 1998;
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year;
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy. Proxy forms are available upon request at the registered office of the company.

By order of the Board of Directors

سكزا من الاجل

THE ARTS

EXHIBITION 'STEALING BEAUTY' AT THE INSTITUTE OF CONTEMPORARY ARTS

The art of looking two ways at once

William Packer is charmed by the freshness and lack of pretension of the works on display

As Philip Dodd, the ICA's director, nicely puts it in his foreword to "Stealing Beauty": "Design is often a problem for over-tidy minds. It looks so many ways at once: towards the industrial and the artisan, towards culture and commerce, towards art and product, towards aesthetics and ethics."

It is the looking all ways at once that is the point. At the RCA for example, and in art schools everywhere, the mutual, fertile, necessary relation of design to art and back again is ever demonstrated.

The question, perhaps, is really one of context. Thus "Stealing Beauty" could well have appeared at the Design Museum, with its close and particular focus, or indeed at the Victoria and Albert, with its historical and comprehensive overview. But, without taking anything away from either institution, that it should fall to the more open-ended, opportunistic, briefless ICA to put it on is perhaps the more apposite. Is it design? Is it art?

Claire Catterall, the design historian whose idea it was, has invited some 15 designers or design partnerships, most of them fairly young, to show something of their recent work that would characterise their personal interests and approach. But this is no survey, no looking just to the best of its kind, straight-down-the-line product design. Rather, she has looked to the more ideologically and experimental, those, she says, "who are searching for a new method and meaning in design". And beyond the art-speak, the

idea itself is intriguing and engaging. "This is not a revolution; there is no manifesto, no agenda, no lofty higher ideal. It's not a design movement... this is a far more gentle thing - it's simply a mood, an energy."

Method, mood, meaning or whatever, what brings these designers lightly together is a shared interest in the mundane and the everyday, in the furniture, ephemera and fallout of ordinary life, and the preparedness, above all the wit, to make use of it all. Such raw material might be, for example, nothing more than a roll of heat-resistant masking-tape (George Badale); the steel wire-mesh of the supermarket-trolley (Azumi); sheets of perforated hardboard and MDF (Michael Marriott); rolled-up magazines (El Ultimo Grito); recycled wine bottles (transglass); or simply a few torn scraps of printed card or carton (Alex Rich).

But in the end it is not what they use, but what they make of it that matters, and what is most impressive here, not to say delightful, is the wit and panache with which they set about it, and the general elegance and economy of the result. Particularly refreshing is their general straightforwardness of approach, and lack of any conceptual preciousness or self-consciousness. It is perfectly clear that they are well aware of what artists now are up to. But where their conceptual fine-artists peers might flog a particular idea to death, banging on about "investigating issues" in a pile of leaves or a piece of string, they just make something. George Badale



Shifts in perception: Transglass's wine bottles become the most refined of modern glass

simply pushes out from the centre his roll of tape until he has a stalagmite some four or five feet tall, turning it then into a glowing lamp with a bulb inside. The Azumi partners simply bend

and fold that familiar trolley-mesh into the most elegantly minimal of chairs, here strung up in mid-air like the sparest of Japanese lamps.

El Ultimo Grito (The Last Word) has a perforated plastic tube into which rolled up magazines are poked, transforming it immediately into a most useful and practical hat-rack. Magritte-like bowler hats and all. The

wine bottles of transglass, cut through, sliced at an angle, polished and blasted and variously buffed up, turn into the most refined of modern glass. Throughout the show there are to be found just such shifts and changes of perception and response, new uses found, fresh forms revealed. The installation too is no less witty and effective, especially downstairs, where the porches in the corridor wall isolate each linear section within the unpartitioned lower gallery itself.

Only one thing puzzles, and saddens, me. Each contributor is allowed an explanatory text which is complemented by a personal questionnaire: who do you design for? who and what inspires you? your favourite material? your ideal client? your worst design? your favourite object? - that sort of thing, which is all very well, and by turns arch, amusing and revealing. But these are designers, after all, with, as their work declares, the most acute of sensibilities. Yet here are statements - not all, I have to say, but the larger part and too many not to be worrying - that at times verge on the illiterate. And the handwriting itself is a real betrayal, too often unformed, childish and ill-educated. How can these designers not care what they say so openly and, above all, so visually about themselves, when they clearly care so very much about their work? It is indeed a puzzle, and a real shame.

Stealing Beauty - British Design Now: Institute of Contemporary Art, The Mall, London SW1, until May 31; in association with Perrier-Jouët Champagne.

CONCERTS SOUNDING THE CENTURY

Plenty of new young talent to choose from

Heaven help young composers early in the next century. To judge from the disproportionate flood of new music concerts at the end of this one, it could be 100 years before they get a decent hearing.

As 1999 progresses, BBC Radio 3's festival, *Sounding the Century*, is reaching its culmination. After various mini-festivals devoted to leading composers it is getting down to business in April with a month-long celebration of British music since 1945 - a period in which the UK has arguably held its own internationally for the first time since the 1930s.

The byline of the festival promises classics of British music, and it seems the honour is decided pretty swiftly these days. Richard Causon's *Millennium Sonatas* was getting its first performance at Wednesday's opening concert and, while it ranks as an invigorating piece, bristling with late 20th-century urban impatience and cutting-edge sounds, it is a brave man who would call it a classic from day one.

Harrison Birtwistle's *Endless Parade* is already more than 10 years old and its artistic profile is as sharp as ever. Although repeated listening does not make it easier to follow its stream of striking ideas, there is no question that Birtwistle has managed to write a virtuosic concerto that is also uncompromisingly serious music. Hakan Hardenberger, as at the premiere,

was the brilliant soloist. Turning the clock back after that to 1945 comes as quite a shock. The position of Britain's Peter Grimes as one of the great operas of the century is unassailable, but that does not mean its music transfers well to the concert hall. The central pair of the *Four Sea Interludes* are too contrived to be convincing, unlike the outer pair, which dazzled here in precision performances by the BBC Symphony Orchestra under Andrew Davis.

They also gave what seemed a remarkably detailed performance of Tippett's *The Vision of St Augustine*, for which they were joined by the BBC Singers and BBC Symphony Chorus and Alan Ople, a fine and steady baritone soloist. Unfortunately, the work itself remains a problem: Tippett had a natural disposition to create in-built barriers over which his desire to express himself has to triumph, but in this case it is hard to sense the message coming through. Too much of the music is difficult in the wrong way.

The good news is that the high quality of the musical preparation also promises to distinguish the BBC Symphony's other concerts in this series, featuring more Britten, Tippett and Birtwistle, together with younger names. It is to Britain's credit that there are so many to choose from.

Richard Fairman

FESTIVALS BUDAPEST

Music, sex, shopping for prudent visitors

The Budapest Spring Festival is always a bit dodgy: not because of the fare it offers - theatre, folklore and especially music - but anything but high class, regularly achieved, but because it is always winter still when it begins, with spring arriving distinctly later. Prudent visitors come late.

This year spring burst out on Wednesday last week, rather like dawn being switched on for *The Truman Show*. After wintry showers before, Budapest warmed abruptly by 10°C or 15°C, relaxed and glowed. Nicely timed: on Tuesday we had had Bartók's dark one-act *Duke Bluebeard's Castle* and his sour, heady-eyed ballet *The Miraculous Mandarin* (that was the sexy bit) at the Hungarian State Opera, whereas Wednesday brought a concert of Bartók at his sunniest - creative folk arrangements, the over-popular Concerto for Orchestra and the 3rd Piano Concerto, written for his pianist-wife Ditta.

It was good to hear *Bluebeard* performed at home, so to speak, in this beautiful opera house and, by excellent Hungarian singers. Kolos Kovács' grave, gentle *Bluebeard* is long familiar in the west, and Katalin Szendrői's mezzo

Judith went through a striking dramatic development as the action unfolded. Adam Fischer conducted sympathetically, though without much tension - nor, as far as I could tell, all the extra brass Bartók wanted for the Fifth Door, nor the organ. Fischer had a much tighter grip on the weird *Miraculous Mandarin*, which fairly crackled

The singers disported themselves on Csaba Antal's tower of metal girders

and was lustily mimed and danced. In the National Philharmonic's all-Bartók concert Zoltán Kocsis, whom we know in the west as an intense, imaginative pianist, conducted a crackling performance of the Concerto for Orchestra, crisper and sharper than I've heard it in years. (In the "Games of the Cypriotes" movement, the perky bassoons won hands-down.) He provided

alert accompaniment for Peter Donohoe's clean, forceful account of the 3rd Piano Concerto, too. Hungary boasts so many distinguished chamber-musicians that the festival can always offer a luxurious spread of chamber music. I chose instead to try two new opera productions. One was a world premiere, János Vajda's *Leonce and Lena*, based on Georg Büchner's first play (his other two, *Danton's Death* and *Woyzeck*, have already been set by Gottfried von Einem and Alban Berg).

Vajda used to be an "avant-garde" composer, but has crossed over to what he hopes is popular appeal. This *Leonce and Lena* was deeply unappealing. Vajda's response to the whimsical, cold-philosophical text was to set Act 1 mostly to pastiches of Italian opera from Rossini and Donizetti to Verdi, neither witty nor funny, and most of Acts 2 and 3 to stuff which dimly recalled superior Kodály and Bartók. György Fehér's strenuously comic production tried to make the best of it.

Far more exciting was Judit Gedeon's staging of Strauss's *Elektra*. In the forty minutes of Budapest's giant new shopping mall, the Duna ("Danube") Plaza,

The singers disported themselves on and around Csaba Antal's tower of metal girders, with a causeway descending to a semi-circular catwalk at ground level. Below them Peter Schrottner conducted a seasoned, powerful performance with the orchestra's backs to us - giving rare advantage to the singers, who not only faced us but were practically in our laps.

Truth to tell, the literally elevated production offered nothing very special otherwise, though it gave the singers endless opportunities for *Angst* posing (Hungarians are good at that), draped over the banisters. The relentless ambient noise - chiefly from the air-conditioning, but also from wandering guards and floorwalkers - was a severe problem.

Yet the performance was gripping, thanks to the voices and the acting. Besides their German guest Ortrun Wenkel as Clytemnestra, elegantly feline, Tamás Buss's virile bass-baritone, intelligence and great haunted eyes made him an ideal Aegisthus, and Mária Temesi sang a rich, full-voiced Chrysothemis.

And Eszter Somogyi's Elektra was superb: gaunt cheekbones (Hungarians are good at that, too) beneath a cropped, mannish haircut, a tireless stream of tone grandly inflected, enormous presence and stillness. That was more than enough; at the end she didn't dance herself to death, but just succumbed to a quiet, dignified stroke.

David Murray

CONCERTS MARIA JOAO PIRES AND GUSTAV LEONHARDT

Mozart to swoon over

Two London concerts contrasted mightily last week, one a sumptuous pleasure, the other devoid of any sensuality.

At the packed Barbican Hall, Maria João Pires, a Portuguese pianist, used her gently beautiful tone to support poetic insights, to coax the listener into a state of intoxication that few other pianists can match. If she didn't sketch a complete picture for every work, at least she had the great artist's knack for making you forget - certainly while she was playing - that there could be anything else to say in the music.

Thus, it's easy to understand Pires's spectacular rise to international prominence over the last decade. Just as Alfred Brendel was "discovered" and became a star around 1970 - after years in a mid-tier career - so it seems that audiences are now content to embrace Pires's artistry on her own terms. It's not that she has changed significantly since those early recordings - it's more that we're ready to listen.

In the Chopin-filled second half, Pires's pianist tempos breathed naturally, with five Nocturnes (from Op. 15 and 27) played in a nuanced, singing voice. And she added details at every level, though not as a storyteller: almost everything she does is atmospheric.

And although she is not an immaculate technician, she made the agitated episodes in the Fantasy (Op. 48) persuasive while the quieter episode gently dissolved. The closing statement of the theme was reflective, not triumphant. It had to be: there was never a journey. In the Fantasy-Improvisation (Op. 66), quick and nimble, Pires kneaded every phrase, folding one into another, shifting from foreground to background, and recreating her persuasive Chopin style.

These terms were less convincing at the evening's start, where Debussy's "Suite: Pour le Piano" never quite settled in, despite Pires's clean, lovely playing and elastic tempos. Under her fingers the intervals that once must have seemed so jarring, those 7ths and 9ths, sounded timeless, not impressionistic but eternal.

The opening theme and variations of Mozart's Sonata in A (K381) were softly etched, weepy and introspective, even a bit mannered. Lost was the spontaneity. Pires made curiously slow and self-conscious tempo choices in the Rondo, putting a distinctive stamp on the piece. It was Mozart for cascading beauty of sound, Mozart to swoon over.

What a contrast in attitude a day later, at St John's Smith Square, for a performance of Bach's "St John Passion", an

evening of spartan devotion, with no applause and no interval. Conductor Gustav Leonhardt's Bach is a known product. His far "historically informed" style grew up alongside Modernism, and shares its values: angular, pungent harmonies, lean textures and clipped phrasing that banishes long-span lines. Today, it sounds like an ascetic's sensibility and a little far out: it's an occasional kind of pleasure.

The Orchestra of the Age of Enlightenment soaked up Leonhardt's approach: the 13-member Choir of the Enlightenment sounded pale but were aggressive in entrances, while the soloists each brought slightly varied emphases. Soprano Rachel Eliott used her warm and pleasing middle range expressively. Counter-tenor Michael Chance's delivery, round and smooth, settled dry on the listener's ear. The best interplay came in the recitatives between the Evangelist (Mark Padmore), Jesus (Michael George) and Pilate (Stephen Varcoe), each theatrical in delivery and agreeable in tone.

Despite Leonhardt's sinewy command of overarching structure, it wasn't a spirited performance, but rather provided pleasures of the moment.

Pierre Ruhe

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: featuring Acts of Light by Martha Graham, with the world premiere of *Groezend Pastoor's Bitter Sweet*, and Balanchine's *Symphony in 3*, Apr 6, 8, 9

EXHIBITION
Bijlammuseum
Tel: 31-20-673 2121
The Floating World: Japanese 19th-century prints from the Kikumoto Museum of Art, to Jun 13

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Ottello, by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov, Apr 10

BERLIN

OPERA
Deutsche Oper

Tel: 49-30-3484-01
Matthäus-Passion: Christopher Hogwood conducts Johann Bach's and Felix Mendelssohn's score, staged by Günther Juckler, Götz Friedrich and Dietlinde Caisow, Apr 8, 10

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
High Renaissance in the Vatican: Art and Culture at the Papal Court (1503-34). The early 16th century saw Papal Rome establish itself as the centre of art in Europe: the Vatican commissioned work from such great artists as Leonardo da Vinci, Michelangelo and Raphael, to Apr 11

CHICAGO

CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicago-symphony.org
Chicago Symphony Orchestra: presented as part of the Great Performers Series in works by Mozart and featuring Alfred Brendel on piano, Katherine Gowers and Lucy Jael on violin, Apr 6

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-338 8891
● Glenn Miller Orchestra

conducted by Ray McVay performing wartime classics; Apr 10

● Orchestra of the Age of Enlightenment: this period instrument ensemble makes a welcome return starring Nathalie Stutzmann (contralto) and directed by Catherine Mackintosh in works by Corelli and J.S. Bach; Apr 6

Queen Elizabeth Hall
Tel: 44-171-980 4242
Camelot: Académica: in works by Mozart, with violin soloist Isabella Faust, and viola Tabas Zimmermann; Apr 7
Royal Festival Hall
Tel: 44-171-980 4242

● BBC Philharmonic: Endless Parade: Classics of British Music since 1945 by Britten. Conducted by Yan Pascal Tortelier and featuring the BBC Singers; Apr 10

● London Philharmonic Orchestra: conducted by Leon Botstein in works by Wagner, Khachaturian and Dvořák; Apr 9

● London Philharmonic Orchestra: International Series featuring Hady's The Creation conducted by Sir Roger Norrington; Apr 11

● Philharmonia Orchestra: conducted by Vladimir Ashkenazy in works by Bernstein, Gershwin, and Rmsky-Korsakov; Apr 7

EXHIBITION
Hayward Gallery
Tel: 44-171-281 0127
www.hayward-gallery.org.uk
Patrick Caulfield: major retrospective of the British pop artist; then touring in Europe and

the US; to Apr 11

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 8

● Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tieney as Salome in David Leveaux's production; Apr 7, 10

LOS ANGELES
CONCERT
Music Center: Dorothy Chandler Pavilion
Tel: 1-213-385 3500
www.laphil.org
Los Angeles Philharmonic: conducted by Hans Vonk and featuring Lars Vogt on piano in works by Weber, Mozart, and Schubert; Apr 7, 10, 11

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-91-435 4240
Marc Chagall: Jewish Traditions. 40 paintings by the Russian-French painter, produced between 1909 and 1976. They detail Chagall's progression through such styles as Expressionism, Cubism and Surrealism; to Apr 11

NEW YORK

CONCERT
Pierpont Morgan Library

Tel: 1-212-685 0008
Collection in Concert: From Bach to Berg: featuring John Aler (tenor), Krista Benion Feeney (violin), Michael Kammen (cello) and directed by Laurie Smukler and Ira Weller; Apr 6

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Our New Clothes: Acquisitions of the 1990s: presented by the Costume Institute. Focuses on themes such as American Heroes which highlights designers Geoffrey Beane, Calvin Klein, and Giorgio di Sant'Angelo; from Apr 6 to Aug 22

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Giulio Cesare: returns to the repertoire with John Nelson conducting and Jennifer Larmore in the title role. Production by John Pascoe, sets designed by Michael Stannett; Apr 10

● Susannah: by Floyd James Conlon conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Apr 6, 9

● The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo (replaced by Yuri Marusin on Apr 3), Galina Gorchakova and Olga Borodina;

Apr 7, 10

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lucie di Lammormoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 8, 11

PERUGIA

EXHIBITION
Galleria Nazionale dell' Umbria
Tel: 39-075 574 1247
Beato Angelico and Benozzo Gozzoli: Renaissance Painters. Organized to mark the 500th anniversary of Fra Angelico's death, this show includes missing sections of his *Politico dei Domenicani*, lent by the Vatican so that the whole, restored polyptych can be seen in its entirety; to Apr 11

TOKYO

DANCE
NHK Hall
The Royal Ballet: the British company's tour opens with Swan Lake; Apr 11

EXHIBITION

Bunkamura
Tel: 81-3-3477 9999
Apertif and Wine Poster
Exhibition: a collection of Fomey City Library of Paris. As part of the "French Year in Japan" this

aims to present the unfamiliar side of French culture to the Japanese. Shows about 200 apertif and wine posters from the late 1800's to the 1960's; to Apr 25

VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-51444
Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood, with a cast led by Leo Nucci and Eliane Coelho; Apr 6, 9

TV AND RADIO

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EUROPEAN CABLE AND SATELLITE BUSINESS TV

● CNN International
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● *Business/Market Reports*: 05.07; 06.07; 07.07; 08.20; 09.20; 10.20; 11.20; 11.32; 12.20; 13.20; 14.20.

At 08.20 Tanya Beckett of FTTV reports live from Liffe as the London market opens.



PETER MARTIN

Intangible futures

The all-paper deal in Yahoo!s purchase of Broadcast.com represents virtual value for a virtual industry

How do you compare the value of blue sky and hot air?

To put it another way, what does it mean to say that Yahoo!s purchase of Broadcast.com valued the acquired company at \$5.7bn (\$2.5bn)?

On the face of it, that's a lot of money for a company which lost \$16.4m last year on revenues of \$22m. But of course Yahoo! wasn't paying in real money. It was handing over its own shares, trading at 1,634 times earnings.

In a traditional all-paper acquisition, the shares of the acquiring company are a genuine currency, founded on underlying assets or cash flow. It is fairly easy to tell how much is being paid, and whether it is too much.

In the virtual world of Internet stock swaps, all this is meaningless. Quite apart from the intangible nature of Yahoo!s business, there is little free float in its shares. At end-1998, less than 20 per cent of Yahoo!s stock was in the hands of the investing public.

If the big shareholders tried to sell their 50 per cent plus in the company, to crystallise the theoretical value of the stock they own, they would not be able to get the open-market price.

That does not mean the current stock price is wrong. It could be right. It could even be too low. The true value of the company is simply unknowable. Similar conditions apply to Broadcast.com.

The exchange of paper between the two sets of shareholders is just that, an exchange of paper - no matter how fancy the engraving on the stock certificates.

If you are a Broadcast.com shareholder, you are trading in one hypothetical future

for another. Both are equally obscure - and apparently equally rosy, since shares in both companies jumped when the deal was announced.

We used to marvel at these stock valuations. Now, amazement has been replaced by a sort of dead-pan humour, as in this quote from last week's New York Times: "On its second day of trading yesterday, Priceline.com, an Internet service that sells discount airline tickets, rose in value to \$11.7bn, more than any airline in the world."

Amazement. Straight-faced humour. Both reactions are plausible. But here's an alternative view of what's going on. It's the democratisation of the stock promotion business, the creation of an equal-opportunity boondoggle.

Think back to the great stock promotion booms of the past century - railways,

mining, the car industry, electrification, radio, television, electronics. They have all involved the creation, merger, re-creation, consolidation and endless restructuring of a host of hopeful companies.

The underlying technology was real. But most of these early ventures had no more claim to longevity than the average Internet stock.

In the background, there have always been shadowy promoters, people who carry out a string of corporate transactions, each time watering the stock or finding another way to profit from the process.

Each time, the public clamours to join in, and briefly makes paper profits. Some individual investors even manage to cash out in time. Eventually, though, reality takes over. Stock valuations plummet. Many companies collapse, or are swallowed up by the survivors at a pittance of their top-of-the-market price.

Even the survivors take decades to regain their peak value.

As night follows day, the pattern will recur. With one significant exception: the shadowy stock promoter has given way to the geek. A huge over-supply of venture capital, and the very low capital requirements of the Internet business, have between them eliminated the need for an intermediary.

True, investment banks and lawyers still earn fat fees from taking companies public. But the real money was always made by the stock manipulators - and this time, those profits seem to accrue mostly to the companies' founders.

On paper, because the run-up in Internet stocks has been so big, and so fast, that it has had one unexpected effect. It has closed off the opportunity for conventional companies to pay real money - in the form of cash or traditionally valued stock - for Internet companies. At the height of the 1960s electronics boom, Xerox paid around \$600m for Scientific Data Systems. It was a disaster, of course.

This time, conventional companies would certainly be making the same sort of mistake, if they could afford it. But Xerox was paying only 90 times earnings for SDS. Today, with companies such as Broadcast.com selling at 260 times revenues, mistakes like SDS are simply out of reach. Only Internet companies can afford to pay those prices, because they are not using real money. So the wave of deals that traditionally accompanied the early years of a promising new technology are taking place in a vacuum, disconnected to external valuations.

That makes the notional prices that are paid all the more unrealistic. But it also minimises the damage to real-world acquirers, by pricing them out of the market. And it ensures that the geeks are rewarded largely with paper profits, not real ones.

No traditional stock promoter worth his cigars, silk hat and French mistress would have settled for paper. But in a virtual industry, you must expect virtual profits.

Peter Martin is a financial journalist.



ADVERTISEMENT



Risk, Responsibility and Epidemiologic Studies

Harrison H. Schmidt, Ph.D.

Epidemiology, the science dealing with the incidence, distribution and control of disease in a population, studies populations and their diseases. The purpose is to determine who gets sick, and why, as well as who else is at risk as a result of exposure to a specific hazard. Increasingly, epidemiologic studies, good or bad, lie at the root of modern law, regulations, and, indeed, public perceptions related to environment, health, and safety.

Where humans are exposed to potentially toxic substances, at some level of exposure a response will occur. Below that level, there is no response and, for some substances (such as certain metals), there may be a benefit. When the threshold is exceeded, as the exposure increases, the response may increase as well, until the dose becomes toxic. This is as true of aspirin as of arsenic. But for other substances, there is no obvious point beyond which a dose causes an undesirable response. As technology now allows us to detect much smaller traces of materials in our environment, determining the threshold dose that triggers undesirable responses becomes increasingly critical. At the same time, concerns about the usefulness and reliability of epidemiologic studies relating to environment, health and safety issues are growing. But how can non-scientists make sense of a scientific study from a researcher dedicated to the study of a narrow subject, or a study produced by a special interest group?

Considerations of the basic scientific principles that should govern the conduct and reporting of epidemiologic studies have been key components of several workshops hosted by The Annapolis Center. The Center recommends that policy-makers and the media should be sceptical of findings that do not satisfy the following standards:

- Epidemiologic studies of environmental exposures (including dietary) are warranted where evidence exists that rates of disease have changed much faster than can be explained by either genetic change or improved detection. A credible study should show a strong association between disease and risk factor, and a highly plausible biological mechanism that could produce the disease.
- Randomised trials should be used when possible in prospective epidemiologic studies.
- To demonstrate a strong correlation between disease and a particular risk factor, an epidemiologic study should demonstrate a relative risk ratio (i.e., the amount a person's risk due to exposure is increased) of three (3.0) or greater.
- The results of mathematical modelling of epidemiologic data should be reported in the context of an analysis of the quantity and quality of the data sets, the sensitivity of the model to varying quality of data sets, and the extent to which biases and confounding factors are present in the data.
- The reporting of statistical confidence limits should include any associated systematic errors, biases, and confounding factors that may affect statistical variations.
- Studies that rely on test subject recall to determine exposure to a particular risk factor should be held to a particularly high standard of bias identification, as should studies employing interview-based measuring instruments that are potentially subject to interviewer bias.
- Meta-analyses (studies based on samples selected from exposed and unexposed populations aggregated into a "study of studies") of epidemiologic studies should be carefully applied to studies to avoid any inherent bias.
- All reports of epidemiologic studies should fully analyse the potential of chance,

bias, or confounding factors that are known to be possible sources of systematic errors. Any raw data employed, properly protected for privacy, should be publicly available upon publication of the study results.

Increasingly, epidemiologic studies, good or bad, lie at the root of modern law, regulations, and public perceptions related to environment, health, and safety.

• Studies that include the investigation of the response of animals to a particular hazard should demonstrate the grounds for extrapolating those responses to humans.

• The credibility of epidemiologic investigations is significantly enhanced if they include supporting results from toxicology, biochemistry, pharmacology, or other allied sciences.

These standards, taken as a whole, illustrate both the complexity of epidemiologic studies and the difficulty that society faces in evaluating their utility in applications to policy, law, regulations, or litigation. Too often, in the zeal to solve problems, these inherent complexities have been ignored. This does not mean, however, that we should cease our noble, yet still unattainable, quest to answer "all of the questions, all of the time" when it comes to public health, safety, and the environment.

Dr. Schmidt is President and Chief Executive of The Annapolis Center for Policy Studies, a nonprofit research organization specializing in policy analysis. He is also a senior advisor to the U.S. Environmental Protection Agency and the U.S. Department of Health and Human Services. He is a frequent speaker at national and international conferences on policy analysis and public health.



LETTERS TO THE EDITOR

US-China deals sound a wake-up call to Europe

From Mr Martin Baker.

Sir, I read with keen interest James Kyng's report on Beijing's proposed entry to the World Trade Organisation (March 30).

The presence in Beijing last week of two senior officials of the US administration and the announcement of a number of high-profile investments between the People's Republic of China and US companies - particularly those in the telecommunications sector - ought to sound a wake-up call to European business interests

and the beleaguered European Commission. After 13 years of negotiation, PRC now has a window of opportunity to join the WTO before a millennium trade round starts. The support of the US will be decisive.

The PRC's admission to the WTO will be welcomed by many as long as it is based on transparency and bilateral principles. Bilateral, sweetheart deals with the US may cause friction rather than harmony. Reports that foreign com-

panies may be able to own up to 35 per cent of the equity of telecoms companies in China, dependent on PRC's admission to the WTO, have far-reaching implications. Of perhaps even greater significance is the suggestion that China's nationwide licence for the US-developed Code-Division Multiple Access (CDMA) mobile telephone standard. GSM, Europe's successful second-generation mobile standard, is a rival to CDMA. With a reported 40m

customers at stake, the way in which these arrangements are structured may have profound implications for the future of mobile telecommunications, in particular for global roaming and the development/market acceptance of third-generation mobile standards.

Martin Baker, competition and trade lawyer, Taylor Joynson Garrett, Carmelite, 50 Victoria Embankment, London EC4Y 0DX, UK

Too much expected of 'reluctant policeman'

From Mr Thomas L. Dutton.

Sir, Having just read Gerard Baker's article regarding the US as a "reluctant policeman" ("Out of the frying line", April 1), I felt the need to respond. Where are the Europeans with respect to this conflict? Germany's coalition government with the Greens is reported in this same edition as at risk over dissension within that government over military involvement. There have also been reports that Italy is riven with doubts over the military actions in Yugoslavia. Mr Baker him-

self points out that Europe is paralysed by "Kosovo fearfulness" and that the Kosovo situation presents "too serious" a matter for Europeans to undertake military action themselves.

Domestic considerations aside, Mr Baker does not articulate a reason why the US should put its troops at risk when even European support is in question. If Kosovo does not present an appropriate "testbed" for the European security and defence identity, then what would? I happen to agree with Mr Baker that the US is

often too timid, and too driven by domestic political concerns, to take proper leadership in situations where that is required. What I object to, however, is the immediate assumption that it is the job of the US to jump into every such conflict, and that Europe is entitled to neglect its responsibilities, particularly where the conflict so much more directly concerns Europe's interests.

Thomas L. Dutton, 306 W Concord Place, Chicago, IL 60614, US

Rebalancing global labour

From V. Anantha-Nageswaran.

Sir, The US Federal Reserve is concerned about the unsustainable pace of demand for labour in the US economy. Europe suffers from inadequate demand. A fundamentally sound way to tackle this problem is to be more open about immigration. What better time for the US to be less paranoid about it than when the unemployment rate is at 4.4 per cent and skill shortage is acute in most areas?

Europe could use immigration of skilled labour to catch up with the US on the technology front and, at the same time, realise the demand potential latent in the simple fact that there are more human beings with more material needs around.

Advanced economies see only global trade and capital flows liberalisation as beneficial to them. Labour immigration, though politically sensitive, could be equally profitable domestically, while it serves to rebalance global demand.

V. Anantha-Nageswaran, Investment Analyst, Credit Suisse Private Banking, 9021 Zurich, Switzerland

Pursuit of an American view of the world

From Mr James W. O'Sullivan.

Sir, The US is often described as "isolationist", or, as in Gerard Baker's article, "rarely...enthusiastic internationalists".

US international involvement during the past 70 or so years has been energetic, far-reaching, consistent and ultimately quite successful. So why is the perception of "US isolationism" particularly evident in Europe?

Part of the answer, I am sure, results from a US pursuit of an American view of

the world, rather than a European view. These views and interests are often, understandably, different - witness the post-second world war reconstruction, Suez and the "democratisation" of Latin America - and sometimes similar or congruent - witness the containment of USSR and German unification. American methods are also, clearly, quite different from those methods employed by European powers when, in the 18th and 19th centuries, they too were (almost) as internationalist

as the US has been in the 20th century.

A successful foreign policy is not appropriately measured by the number and frequency of engagements in foreign wars. I am glad that more and more people around the world are reluctant to fight wars, foreign or otherwise.

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Gadaffi's big gamble

Libya's leader haggled hard to minimise risks arising from any trial of the Lockerbie suspects. Now he can contemplate international rehabilitation, says Roula Khalaf

Muammar Gadaffi has always fancied himself as the revolutionary leader of an Arab nation. The handing over yesterday of two suspected terrorists for trial in the Netherlands marks the collapse of that ambition. The Libyan president's decision to co-operate at last with the United Nations follows his general retreat from the sponsorship or backing of terrorist groups. It also shows the effect of lower oil prices: wider economic co-operation is now vital for Libya's development.

Even so, negotiating a deal to extradite those suspected of the Lockerbie bombing was by no means easy. It took the US and Britain, through intermediaries, many months to convince Col Gadaffi that the main object was not to undermine his regime, but only to try the two Libyan agents accused of the 1988 bombing of Pan Am flight 103 over the Scottish town of Lockerbie.

The intense diplomacy led by South Africa, Saudi Arabia, Egypt and the United Nations secretary-general Kofi Annan to reassure the Libyan leadership key to the handover of the two suspects - Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah - marks the beginning of the resolution of one of the UN's most difficult cases.

As recently as last summer, the prospect of bringing the suspects to trial seemed remote. The UN sanctions first imposed on Libya in 1992 to force it to surrender the agents were beginning to crumble. The Arab League was calling for the sanctions to be lifted and African countries had voted last June to ignore the flight ban, and began landing their jets in Tripoli. Meanwhile, interest in doing business with Libya was growing, particularly in Italy, France and Spain.

The key to resurrecting the Lockerbie case was the US and British decision - in a UN resolution last August - to agree to Col Gadaffi's long-standing proposal that the two suspects be tried in a neutral country rather



Gadaffi may have feared the proposed deal was a trap Reuters

than in Scotland. The trial will now take place in the Netherlands under Scottish law and by Scottish judges. Diplomats credit Britain with taking the lead on the policy change and say the UK also wanted to improve relations with the Arab world.

Offers poured in from countries willing to mediate and to convince Tripoli

The concession put the Libyan leader on the spot. Arab countries praised it and began asking Libya to comply. Offers poured in from countries willing to mediate and to convince Tripoli of the benefits of compliance. Col Gadaffi had plenty of incentive to agree to a deal he had, after all, proposed. With oil prices falling, the sanctions on Libya, although far from the comprehensive embargo imposed on Iraq, were biting. Money was running out.

The sanctions did not ban the sale of oil, more or less Libya's only source of foreign exchange income. But by banning travel, arms sales, purchases of some oil equipment and a freeze on certain assets, the sanctions deprived the oil industry of much-needed development and complicated management of the economy by raising the cost of most transactions.

Long-standing allegations that Col Gadaffi sponsored terrorism had also waned. Promises of a boost in trade ties with Paris had led him to co-operate with French judges over the bombing of a French UTA airliner over Niger in 1988. Last month, a trial in absentia found six Libyan officials, including Col Gadaffi's brother-in-law, guilty of the bombing. France expects Libya to imprison the officials and compensate their families.

But Lockerbie still made Col Gadaffi nervous. "He was afraid it was a trap," explains a UK official. "There was a great gap of mistrust and it took countries with good relations with Libya to tell him he could trust the British [and the Americans]."

The Libyan leader's fears, say diplomats, were that the trial would be turned into an instrument through which more charges could be brought against Libya, and specifically against him. Col Gadaffi was also worried that the US and Britain would find reasons to reimpose sanctions, which would be suspended but not lifted at the time of the handover.

Another UN crisis was giving Col Gadaffi little comfort. As he pondered compliance, Col Gadaffi watched with alarm as Iraq was asked to fulfil UN resolution requirements while also being told that the US would not agree to lift UN sanctions imposed on it since the 1990-1991 Gulf war as long as President Saddam Hussein remained in power.

However, although that played a part in the negotiations, it was made apparent that the situation was different and that the requirements on Libya were both very clear and very limited. Through intermediaries, Col Gadaffi was given reassurances that the UN would be ready to monitor the process of the trial and that it and other international organisations could have unlimited right of access to the two suspects to ensure that they were not being questioned by US and British intelligence.

Britain told Col Gadaffi that it did not envisage calling witnesses from Libya and that anyone appearing would have immunity from arrest. The evidence, he was told, was only against the two suspects.

The Libyan leader was also assured that a reimposition of UN sanctions, would require a vote by the security council. He was told that members of the council would never agree to such a move, even if the US and Britain wanted it.

Col Gadaffi will not be sure until the trial is over that damning evidence will not come out to implicate him or his government. But having bargained hard to minimise the risk of handing over the agents, he can now begin to contemplate Libya's rehabilitation in the international community - and, more important, the benefits of trade.

سكدا من الاصل

COMMENT & ANALYSIS

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Asia's shallow recovery

The crisis-hit tiger economies of South Korea, Malaysia, Indonesia and Thailand appear to be gathering strength. Not only have financial markets stabilised, but there is positive economic news too: output growth this year is forecast to be vastly improved on last year, with Thailand, South Korea and perhaps Malaysia likely to see a return to growth. But does this recovery run deeper than the surface?

The main reason for the roser economic outlook is an expected recovery in domestic demand, driven by loose fiscal and monetary policies. There is some evidence for this already: in Korea, for instance, wholesale and retail sales rose by 7.3 per cent year on year in February.

But the improvements in domestic demand are partly temporary, as consumers spend some of the savings they built up during the crisis, and catch up on essential purchases they have had to delay. As the year goes on, rising unemployment will discourage spending. And looking further ahead, as recent behaviour in the Japanese bond markets has shown, high levels of government borrowing cannot go on indefinitely without the markets taking fright.

If consumption does slump again, there may be no other sources of growth to take its place. The combination of excess industrial capacity with a high level of corporate indebtedness means that demand for investment is likely to remain low - even assuming that the banks are ready to make new loans. And substantial export-led growth will not be possible while there is slow growth both in the region and worldwide.

Full recovery also requires completion of massive structural reforms to the banking and corporate sectors, and the debt restructuring programmes. The Asian crisis economies are, in the main, moving in the right direction, but reforms are really only in the early stages. As the economies move out of immediate danger and into a gradual and difficult period of recovery, it is conceivable that the sense of urgency could be lost, and complacency could set in.

The risk of disruption to the reform process is worsened by the political uncertainties that are re-emerging in the region. These are most obvious in Indonesia, where preparations for June's elections are dominating the government's thinking and inhibiting action. But politicians will be under pressure in all the crisis countries, as unemployment rises and the population becomes increasingly impatient to see the benefits of recovery.

And the weakness of the Japanese and Chinese economies means there is still a risk of a slide in the yen or a devaluation in the yuan; either event could undermine regional currency stability, and force up interest rates again.

There is no quick escape route from Asia's complex economic problems. It will be at least a couple of years before these economies can operate normally again; at worst, delayed reform could mean that problems linger for another decade. Even in the best-case scenario, though, it is difficult to see how the tiger economies can achieve the virtuous circle of high growth, high investment and high employment they enjoyed before crisis struck.

Lockerbie trial

The trial of the two Libyans suspected of bombing the Pan Am flight that exploded over Lockerbie in Scotland in 1988 will serve two main purposes. The first is the ordinary demand of justice. Whatever the outcome of the trial, relatives of the 270 victims will at last be able to see the evidence that took three years and \$2m to collect.

Second, it will be an important step in the international campaign against terrorism. The decision by Muammar Gaddafi, Libya's president, to surrender the suspects for trial in the Netherlands is the result of seven years of United Nations sanctions and intense diplomatic activity. It may be that the controversial US bombing raids on Libya in 1986, in which Mr Gaddafi's adopted daughter was killed, helped to persuade him to move away from terrorism. But there is no doubt that a proper trial of suspects sends a very much better message to the world.

The handover of the suspects will be welcomed in the Arab world. It will also help to improve the tarnished image of the US and Britain, which are thought in the region to have taken too hard a line against Iraq. Another welcome effect will be to improve the credibility of

the UN, which has been damaged by the differences in the security council over policy towards Iraq. The successful conclusion of an eight-year campaign to have the suspects extradited was helped by the sensible decision of the UK and US governments to allow the trial to take place (under Scottish law) in a third country. This concession to one of Mr Gaddafi's demands allowed negotiations to be reopened with the help of Nelson Mandela, South Africa's president, and of Saudi Arabia.

It will not be clear until the trial is over what kind of deal has been done with Libya. It is generally assumed that the suspects - if guilty - would have been acting under instructions from Tripoli. But evidence for this may prove elusive. Last month a Paris court convicted six Libyan secret-service agents in absentia for the September 1988 mid-air bombing of a French UTA flight with 170 people on board. Those agents will probably never go to prison. Nor was it proved whether they were acting under orders.

But the Paris trial at least helped to show terrorism for what it is: unheroic, loathsome and ineffective. Whatever the outcome of the Lockerbie trial, that must be its message.

Euro-slide

Good money drives down bad. Since its triumphant launch on January 4, the euro has plunged almost 10 per cent against the US dollar, and 4 per cent on a trade-weighted basis. At its birth, one euro bought \$1.18. Yesterday, in Asia, it was bumping along at \$1.07. Does this matter? And what does it say about economic health in the euro-zone?

Wim Duisenberg, president of the European Central Bank, says that he is not bothered about a weak euro. However, it can hardly be good for morale in Frankfurt. So much for the talk of a strong euro knocking the hegemonic dollar off its perch. If the euro keeps sliding, it could even reach parity with the dollar. The optimistic rise that followed the departure of Oskar Lafontaine from the German finance ministry was short-lived.

However, for struggling industry in the anaemic economy of continental Europe, a soft euro at least provides some relief. The European Commission warned last week that it would have to cut its euro-zone growth forecast of 2.4 per cent this year, citing weaker business confidence and investment, and weaker industrial output than previously expected. With a strong euro, the outlook would be worse.

The euro's slide has occurred

despite a growing current account surplus in the euro-zone, and a whopping current account deficit in the US. Other things being equal, this should be expected to lead to a strengthening of the euro.

Other things are not equal. The US deficit reflects strong domestic demand. The US economy has weathered the Asian, Latin American and Russian storms with strong growth. By sucking in exports, it is helping recovery in emerging markets, and providing relief to Japan.

The European current account surplus is a sign of weakness not of strength. It is the result of sickly European consumer demand and investment, which in stark contrast with the US, have depressed growth prospects. It is of no help to emerging markets, and could make already bubbling trade tensions boil over.

Europe needs serious structural reform to remove the stranglehold on business and to free up labour markets. It also needs an interest rate cut to stir animal spirits and provide a shot in the arm for depressed European business. The interest rate bit is the ECB's job. It should cut rates significantly. A quarter point will not restore the confidence that accompanied the brave launch of the new European currency.

For Romano Prodi, it has all come a little bit too soon. Two weeks ago, he was just another former Italian prime minister, albeit one making waves in domestic politics ahead of June's European elections and with the added allure of being a likely candidate for the European commission presidency.

Then, at their Berlin summit on March 24, the European Union's leaders nominated the chubby, bespectacled 59-year-old former economics professor to succeed Jacques Santer as commission president and rescue the EU's executive from the crisis triggered by last month's mass resignation of 20 commissioners.

Mr Prodi admits he was surprised to be offered the job that day. "I had no idea," he says. "Chirac [the French president] told me the day before that Schröder [the German chancellor] wanted an early decision because the situation of the commission was so messy. But he didn't say it would be decided the following day."

Now all eyes are on Mr Prodi to see what his plans are for Europe and the commission. But Mr Prodi, interviewed last week in his small and sober parliamentary office in Rome, had other things on his mind. He had just returned from electioneering in Palermo, in the south. Should he, or should he not, stand as a candidate for the European Parliament elections in June?

Mr Prodi is on the horns of a dilemma. All his life "has been dedicated to Europe", he says. "I should never be forgiven if I said no [to the commission job]. It is the first opportunity for a generation that Italy has had to obtain such a job. I have a moral duty to my country to take it."

And yet Mr Prodi is reluctant to drop all immediately and head for Brussels. For the man who is credited with having guided Italy into the euro now heads a new centrist political movement.

He is in a good position to strengthen his domestic political base in opposition to Massimo D'Alema, the Italian prime minister. Mr Prodi has long suspected Mr D'Alema of engineering the downfall of his government last October and of promoting him as a candidate for the Brussels job to banish him from the Italian political scene. It is widely believed in Italy that Mr Prodi wants to stand in the European elections to wreak revenge on Mr D'Alema. When asked about his relations with the present prime minister, he crumples into embarrassed laughter and asks: "Is this an interview or a confession?"

However, he insists, "there is no legal impediment, prohibition or incompatibility" in running for the European Parliament as designated commission president. Indeed, there are "many who say it would be positive if the commission president could pass some kind of democratic test". But Mr Prodi's dilemma is just a minor foretaste of the complexities he will face as commission president.

He has been nominated for a job as difficult as that of any world leader. During the past 15 years the commission has swung from hubris to humiliation. Under the anticratic sway of Jacques Delors, it grew greatly in power and prestige, launching the EU's single market programme, the plans for the single currency and a host of other badly managed operations to prop up the former communist countries of eastern Europe. Last month, after a damning independent report into charges of mis-

Romano Prodi aims to lead a strong EU team, write Peter Norman, Lionel Barber and James Blitz



management, fraud and nepotism sharply criticised the lack of any sense of responsibility in the unelected body, Mr Santer and his fellow commissioners quit.

Mr Prodi acknowledged that the "parliament, public opinion and some governments such as the British" have high expectations that he will return the discredited Brussels executive to make it more efficient and accountable. He is also aware people will be looking to him for a vision of 21st century Europe.

Although he says he needs "proper time to discuss the commission, to make plans, to prepare everything", he has already made one decision. He is determined to use the "mutual veto right" conferred by reforms in the EU's Amsterdam Treaty to assemble "a high-level team" of commissioners in consultation with the member states' governments.

Mr Prodi's goal is to ensure that governments no longer send political lightweights to Brussels for domestic political reasons. He talked of "organising the commission with top men [and] through-out the interview, Mr Prodi speaks of men rather than people for the top jobs."

He has not yet discussed names, but is confident that "the time of sending lame ducks to Brussels is over". And if not? "I would have a duty to say no, if

there was a threat to the standing or image of the commission". He does not rule out the reappointment of some members of the Santer commission, which continues to function in a caretaker capacity. "Why not?" he asks. "There are high-level men and men of integrity too. There have been unjustified, over-generalised judgments about the commission."

Although Mr Prodi forecasts "differences of view and differences of opinion" with member states over the nominations of commissioners, he underlines his wish to work well with the other EU institutions. "The commission is just one of the strong components of the European Union. The council [where the member states make their decisions on the EU], the commission and the parliament must go together. That is why it is so important to have a relationship with the parliament."

He says the commission would have to be restructured to improve its performance. "But you don't go in there as McKinsey man," he says, referring to the US management consultancy.

"The commission must be concentrated on strategic aims," he adds. "It must be the guardian of the [EU] treaties; responsible for legislative initiative - that is of enormous importance. And it is not to go organising all those teeny, tiny projects." In some research programmes, "the cost of bureaucracy is as much as the aid handed out," he says.

But for Mr Prodi, the commission has a bigger, more vital role to play. He hopes that during his presidency the EU will begin to develop what he calls "a common European soul". For that "you need a very high, top level commission, not in terms of bureaucracy, but in terms of common feeling and understanding of what is happening".

In his view, the nature of the European Union and the position of its member states changed fundamentally with the introduction of the euro at the beginning of this year.

"In the longer view, we have started a new chapter in the structure of Europe," he says. "The euro was not just a bankers' decision or a technical decision. It was a decision that com-

pletely changed the nature of the nation states. The pillars of the nation state are the sword and the currency and we changed that. The euro decision changed the concept of the nation state and we have to go beyond that."

His "real goal" as commission president is to draw on "the consequences of the single currency and create a political Europe". In practical terms, that means pressing on with the existing projects for enlarging the EU to the east, developing its common foreign and security policies and enhancing co-operation among member states in justice and home affairs.

It must be the commission's job to co-ordinate big policies, such as the EU "Balkan initiative", which he proposed last week to bring peace to the region after the war with Yugoslavia. By contrast, Mr Prodi believes the commission has only a limited role in the battle against unemployment. "We need to take some measures but not many at the European level. Europe is more the level at which policies are co-ordinated."

Subsidiarity, the idea that decisions should be taken as close to Europe's citizens as possible, plays an important part in Mr Prodi's thinking. "We must have a Europe that is closer to the citizens and more efficient," he says. But enlargement will force radical changes at the top of the commission and the way Europe makes decisions.

"You can manage with 20 commissioners, with some problems. But it is clear that you cannot have a proper commission with 25 to 30 commissioners."

Similarly - and this is a sensitive point - you cannot go on with a national veto right in an EU of 25 to 30 countries. You have to keep in mind the issue of representation of smaller countries. But there is also a need for proper decisions."

Going beyond this, "it is important to have some common will, a common European soul". This, he says, will "not be easy to get in five years time [the length of a commission presidency]. But you have to get over the message."

But is there not a danger that such ideals could run ahead of public opinion and the views of the member states? "There is always a contradiction in Europe. On the one hand, there is scepticism, on the other, demand for common action," he replies. "In my experience of the European Council [the EU leaders' summit], the idea of the importance of Europe is shared much more than you might think."

Will Mr Prodi reserve a place at the June European Council Meeting in Cologne, which is due to discuss a programme of EU institutional reforms to prepare the union for enlargement? Attending the council on June 3-4 might be difficult if he were campaigning for the European Parliament elections later that month.

He hesitates. "If requested, then of course I will go," he says. "But this job needs time - time in terms of knowledge and looking at the compatibilities of candidates for the commission and making your choice. If I go to Cologne it will be more to listen than to act."

His objective "is to start with a strong commission, clear programmes and clear powers" to take decisions. "It is more important to get that right than to rush ahead."

But he needs to be aware that strong commission presidents in the past have exercised most power with the backing of EU heads of government in the European Council.

OBSERVER

Open House at the ANC

Fleets of political parties think of themselves as broad churches. But South Africa's ruling African National Congress looks ready to set new records for breaking down the barriers.

With elections only two months away, the party is welcoming a rush of new converts - mainly from its old foe, the New National Party, which once upon a time ran the apartheid state.

These days the NNP is struggling under its colourless leader, Marthinus van Schalkwyk, and isn't expected to keep control of its Western Cape power base. So it's none too surprising that among the ANC's NNP haul is Patrick McKenzie, a Western Cape bigwig who's been very rude about his new party in the past. Politicians from liberal and radical parties are also hurrying to join the ANC bandwagon.

And some of the high-profile arrivals have high hopes. McKenzie's already talking about "plugging in to the power", although ANC stalwarts will be braced off if their path to the top is blocked by former enemies. The ministerial juggling will be worth watching.

Friends in need

If you're a democrat in the Republica Sprska, the

Serb-controlled part of Bosnia-Herzegovina, you probably need all the friends you can get.

But it's still a touch surprising to see Rasko Vasic, beleaguered Bosnian Serb democrat and information minister for Republika Sprska, sitting in his office in Banja Luka and sporting a tie bearing the red hand of Ulster.

While the red hand is a symbol deeply beloved by some of the more sectarian Protestant elements in Northern Ireland - don't confuse the Red Hand Commandos with the Red Hand Defenders - Vasic plays down his choice of neckwear. He says he just happened to get it as a gift and his wife thought it was a perfect match for one of his shirts.

On the other hand, he's quite amused to learn that militant Protestants at one of those dogged standoffs last year had taken to waving a Serb flag to demonstrate international solidarity. Nor does he seem very upset that there will be parts of the British Isles where the tie might bring on a choking fit.

Forwards march

There's been nothing like it since German and British troops took time out from killing each other during the first world war to kick a ball backwards and forwards on Christmas Day. Vietnam and the Philippines have agreed to let their troops garrisoned in the

Spratsly Islands play soccer against each other.

The islands, a collection of more than 200 potentially oil-rich reefs and islets spread out across the South China Sea, are at the heart of a longstanding dispute over territorial rights involving several nations in the region. But the Philippine defence department said yesterday that matches were being arranged between its own men and Vietnamese troops "to help promote confidence" in the disputed area.

Defence secretary Orlando Mercado put the idea to Vietnamese president Tran Duc Luong last week and he's said to have readily agreed. The first match is likely to be held on Pagasa Island - occupied by Philippine troops - followed by a rematch to be held later in the year in Hanoi. No word yet from China, which claims all the islands, on whether it fancies occupying a football pitch for 90 minutes.

Tokyo bull

Venture Safenet, a Tokyo engineering company, welcomed its new employees with a bit of bull last week.

While most Japanese companies use more staid ceremonies to kick off the new fiscal year, Venture Safenet hosted Japan's first bullfight, complete with company president Fusao Seidguchi in a

gold matador's costume. To pull off the spectacle, staged in a city sports arena, the company coughed up \$1.7m importing bulls from Mexico and a pair of matadors from Spain.

Of course, it fell a little short of the full Latin experience. Responding to protests from animal rights groups, the matadors did their magic without using swords and drew no blood from the bulls. No word either on whether organisers put tequila in the office watercoolers.

Rattled

Irish police were petting themselves on the back yesterday after swooping on a remote distillery producing poten, an illegal liquor that comes in handy as a substitute rocket fuel. Senior officers in County Donegal are calling the raid - it uncovered 70 gallons of the stuff - the most significant strike against bootleggers in more than 20 years.

But this particular consignment, it seems, had more body than most. Peering inside several of the open-topped barrels, the police found several dead rats. Inspector Greg Sullivan, who reckons the little soundrels probably fell in, says their presence should be a warning to anyone "not to touch the stuff".

But if you must? Throw the meat away and just drink the gravy.

Financial Times

100 years ago

Yankee Whisky War
The whisky trade is at present largely controlled by two huge trusts, and a new combine to be known as the Wine and Spirit Trading Corporation has been formed to fight the two trusts. We are credibly informed that this corporation will have a capital of \$1,000,000 in stock and \$1,500,000 in bonds. The stock will be sold only to dealers, and it will be fully paid up. It is anticipated that at least 700 retail dealers will join the company, which will not, of course, touch the goods of the two existing trusts. If necessary the corporation will acquire an independent distillery.

50 years ago

Mont Blanc Tunnel
Rome, April 5. The construction of a tunnel over eight miles long beneath Mont Blanc will start shortly. The tunnel will form a new link between Italy, Switzerland and France and will carry a two-lane auto-road. The cost, estimated at Swiss Frs. 60m, will be shared by the three countries. The new tunnel will be built by Italians working from both ends in three years.

THE LEX COLUMN

Japan's jaded recovery

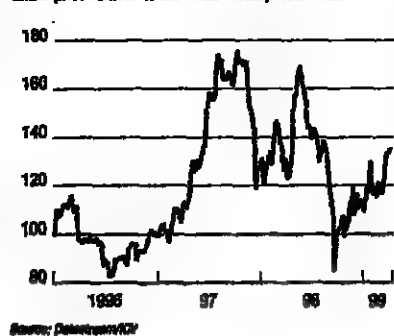
Is there finally light at the end of the tunnel for Japan's ailing economy? The omens are less apocalyptic than they were. Take yesterday's Tankan survey of business confidence. This registered a small recovery in sentiment – not much in itself, but a welcome change after almost two years of consistent falls.

There is an argument for saying some sectors of the economy are bottoming out. But it is worth asking how this can be. Japanese consumers are not responsible; domestic consumption is actually falling. So is capital spending, as companies burn off the excess capacity that bedevils the economy. There is no evidence the short-fall is being recouped through higher exports.

The main prop is the government. By injecting funds into the banking system, it has eased the credit drought afflicting Japanese companies. At the same time, its fiscal stimulus programme has led to an ascending programme of public works. Hence the recovery in problem sectors such as construction.

But it is worth asking how much longer this can go on. The government's actions have temporarily stabilised, not cured, the economy's ills. Companies are using the respite to accelerate restructuring, which will in the short term lead to lower capital spending, higher unemployment and further downward pressure on consumer spending. The government cannot forever play the spender of last resort in Japan's economic crisis.

Philips
Share price relative to the FTSE 100 index



would extend Philips' reach into new technologies, such as "system-on-a-chip", used in mobile phones. Even if it has to raise the offer a touch from the current 1.4 times VLSI's sales, the price looks worth paying.

Second, Philips has to explain how it will turn around its loss-making mobile phones business. It would help its case if it gave the market dates and targets for this. The worry is that Philips has fallen too far behind in a market where Ericsson and Nokia are romping ahead. Longer term, Philips may come under pressure to defend a structure that still includes lighting and medical systems. But with the company's balance sheet growing with cash, this is one debate it can postpone.

Philips

Philips is changing shape fast under Cor Boonstra, its president. It has sold more than 40 businesses since the beginning of 1996. And the raft of exceptional charges – some estimate they average €360m a year over the past decade – bears witness to the ongoing overhaul of the company.

And all this change, investors should focus on two issues. First, semiconductor. This business has escaped the ravages of Philips' peers because of its relatively low exposure to memory chips. But because of this, Philips may benefit less than its rivals from the expected upswing in the semiconductor market. Still, Philips' \$777m offer for VLSI Technology looks promising. If the bid succeeds, VLSI

Citigroup

In the year since the merger of Travelers and Citicorp was announced, the verdict on Citigroup has veered from euphoria to depression. The current view, more rationally, appears to be moderately optimistic. The extravagant promises of cross-selling benefits on the retail side have yet to be delivered. But Cit's flourishing credit card business – and cost-cutting – have furnished welcome, if more prosaic, gains.

Encouragingly, Citigroup is laying to rest early doubts about the integration of its corporate and investment banking businesses. Cit's corporate side and Salomon Smith Barney seem to be melding well. Cit's staid but more efficient management approach is paying dividends.

And there is even a sniff of revenue synergies. For instance, Cit's dominant position in foreign exchange and derivatives is helping Salomon's bond business close in on Merrill Lynch's top slot in global underwriting. Aided by favourable markets and stricter cost controls at Salomon's European operation, the result should be much improved first quarter earnings.

The weak spot is mergers and acquisitions. If the group does not find a way of allowing a vibrant M&A practice to thrive within the inevitable bureaucracy of such a behemoth, it will lose follow-on business in the growing cross-border M&A market. Still, with the fruits of the integration just beginning to show, Cit's stock looks good value.

Commodities

Could rising commodity prices re-ignite inflation? US oil prices have jumped 40 per cent from their February low, wheat is 18 per cent higher and soybeans up 9 per cent. This has raised fears that an increase in commodity prices could rapidly feed through into higher consumer prices. Those worries look overdone. Most commodities remain depressed. Copper and cotton have dropped again after recent mini-rallies. Even oil's surge is from such a low base that its price remains below levels of a year ago. The benchmark Bridge/CRB futures index has gained just 5 per cent since hitting a 28-year low in February.

Even a 5 per cent gain would have been significant in the past. A rule of thumb that worked well between 1960 and 1980 was that a 10 per cent gain in commodity prices led to a 1 per cent increase in inflation. But that link has failed to hold this decade. Developed economies are now overwhelmingly service-based. Raw materials account for less than 10 per cent of producer prices, as measured by inflation indices such as the US PPI.

That does not mean investors can afford to ignore commodity prices altogether. They do increase industry's costs. And central banks use them as leading indicators, so they can influence monetary policy. But while economic growth outside the US remains so sluggish, a sustained rise in commodity prices and resultant inflation seem unlikely.

Japanese companies show a slight rise in confidence

By Paul Abrahams in Tokyo

Japanese business sentiment improved for the first time in nearly two years, according to the Bank of Japan's latest quarterly "Tankan" survey published yesterday.

However, the recovery was marginal, underlining the severity of the country's longest recession on record.

The survey showed that for every 100 companies that were optimistic, 147 were pessimistic. That compared with 149 in January, which was the gloomiest report in nearly five years. The results were in line with expectations following the ¥400,000bn (\$333bn) worth of public spending packages last fiscal year. Some analysts claimed the data, collected from nearly 10,000 companies, indicated the economy was bottoming out. However, others warned that this was a pause and the economy could suffer a double-dip recession.

The benchmark Nikkei 225 index initially jumped 2 per cent on relief that the data were not worse, but then fell back. It ended the day up just 0.3 per cent at 16,334.

The authorities played down the slight improvement. Shosaku Murayama, director general of the research and statistics bureau of the Bank of Japan, warned that the central bank was unable to say whether the report pointed to any recovery.

A combination of falling capital spending, weakening consumer demand and falling exports have undermined the government's efforts to bolster the economy, which has contracted for five consecutive quarters.

Disappointing economic data for February published in the past week have prompted some economists to cut their forecasts for Japan's economic growth in the current fiscal year to March 31, 2000.

Barclays Capital expects a contraction of 1.9 per cent, against a 0.9 per cent fall previously. Dai-ichi Kangyo Research Institute, research arm of the Japanese bank, yesterday said it expected gross domestic product to fall 0.7 per cent. The government has promised a rise of 0.5 per cent.

Taichi Sakaiya, minister at the

Economic Planning Agency, warned over the weekend that the unemployment rate could climb from its current 4.6 per cent to as high as 5.5 per cent in the coming months. He said the jobs rate had a tendency to rise as an economy bottoms out.

Rising unemployment, cuts in overtime and bonuses, continue to feed through into shaky private consumption. Data released yesterday showed household spending in February fell 3.5 per cent year on year – disappointing given a 1.4 per cent rise in January. The propensity to spend, measured as a proportion of household income, fell from 70.9 per cent to 67.8 per cent, the lowest since 1970 when records began.

The "Tankan" showed that companies remained cautious about sales growth and were likely to cut capital spending and hiring, warned Mr Murayama. The companies surveyed expect to cut capital investment by 13 per cent this fiscal year.

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Lex, Page 14

Chinese PM is ready for some flak on fence-mending US visit

By James Kyrgis in Beijing

Zhu Rongji, the Chinese premier, travels to the US today prepared to answer a barrage of criticism on a talk show and display his populist style with a visit to a farm and a Denver ballgame.

But China is offering more than public relations stunts to repair badly damaged relations with the US. Official Chinese media yesterday announced that four foreign insurance companies, including the Chubb Group of Insurance Companies and the John Hancock Mutual Life Insurance Company of the US, would be granted licences to operate in China.

Prudential Corporation of the UK and Sun Life Assurance Company of Canada, Mr Zhu's next stop after the US, were also awarded licences.

The approval of foreign insurers appeared to be an attempt to address criticisms that China's market remains too restrictive.

About 10 foreign insurance companies operate in China, but they are limited to the cities of Shanghai

and Guangzhou and all but two are restricted to a 50 per cent stake in joint ventures. China is, however, considering further relaxing curbs on foreign insurers' access to its market as part of intense negotiations to enter the World Trade Organisation.

Long Yongtu, the top Chinese WTO negotiator, was in Washington yesterday pursuing an 11th-hour attempt to thrash out some sort of a deal in time for Mr Zhu's visit.

If the US and China are able to announce a WTO deal, or even a framework accord, it could reverse a tide of US attacks on Beijing.

In recent weeks, hostility has been fuelled by charges that Beijing stole US nuclear secrets and by hefty sentences on Chinese dissidents, repression in Tibet and Chinese opposition to Nato's air strikes on Yugoslavia.

Without demonstrable progress on the WTO issue, the pressure on Mr Zhu's personal skills will intensify.

He is scheduled to appear on the PBS talk show *NewsHour* and, speaking through an interpreter, will be open to all questions. Chi-

nese officials said. In China, Mr Zhu is lionised for his communication skills. He is straightforward and humorous in speech – characteristics that set him apart from his more wooden colleagues at the pinnacle of Communist power. But Mr Zhu's trip to the US, which ends on April 14, is still a risk, given the gulf between mainstream US opinion and Beijing's unyielding stance on a range of issues.

China says criticisms of its human rights record represent interference in its internal affairs. It attacks the Dalai Lama as a separatist and official Chinese newspaper cartoonists have recently given President Bill Clinton a Hitler-style moustache to protest against the Nato bombings of Yugoslavia.

One potential embarrassment for Mr Zhu was postponed yesterday when Wang Xizhe, the exiled Chinese dissident, was stranded in Thailand after he failed in an attempt to return home to pay his respects to his dead father.

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Tibetan Youth Congress members in New Delhi demand the release of the eight-year-old Panchen Lama, the second in the hierarchy of Tibetan religious leaders, who is being held by the Chinese. Picture: AP

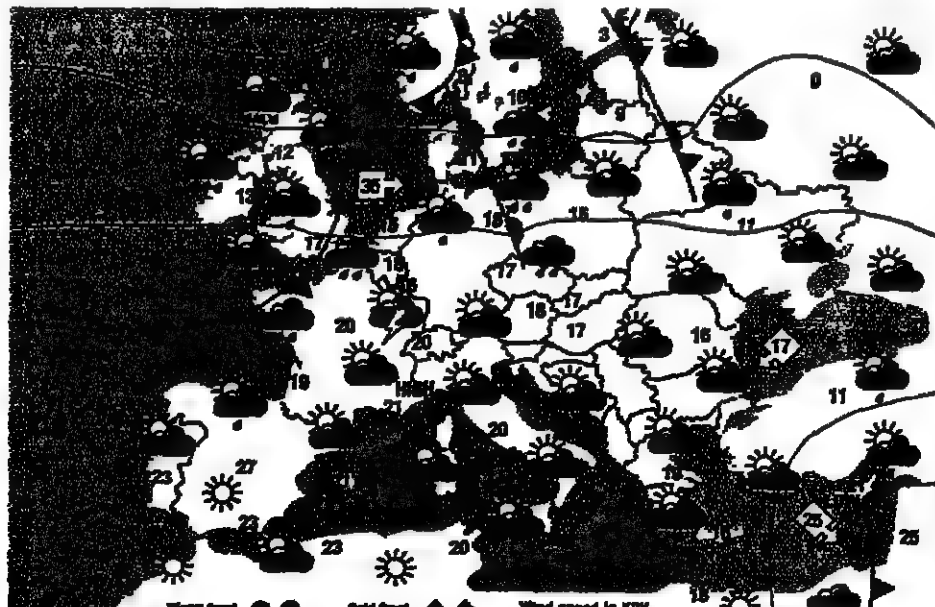
FT WEATHER GUIDE

Europe today

There will be showers over Scandinavia, mostly near the west coast. The Low Countries will have rain at times, but over Germany the rain will turn increasingly showery. From Switzerland to Austria, it will be dry with variable cloud and some sunshine. Northern France will be wet and overcast, but, away from the north coast, the rain will give way to sunshine and showers. South of the Auvergne, it should be dry and mainly sunny. Some showers are likely in northern Spain and Cyprus.

Five-day forecast

Northern Europe will stay unsettled with showers or steady rain. Rain over northern France will move southwards into northern Italy, developing into a large showery area. Over the next few days, this will drift south to Sicily and eastwards towards Greece.



Station at midday. Temperature maximum for day. Forecast by FT WEATHER CENTRE

TODAY'S TEMPERATURES

Location	Max	Min
Abu Dhabi	30	20
Aden	30	20
Algeria	25	15
Amman	25	15
Antananarivo	25	15
Asmara	25	15
Bangkok	30	20
Batavia	30	20
Bombay	30	20
Buenos Aires	25	15
Calcutta	30	20
Cairo	30	20
Cardiff	15	10
Chennai	30	20
Copenhagen	15	10
Dakar	30	20
Dhaka	30	20
Dublin	15	10
Edinburgh	15	10
Hong Kong	30	20
Indraprastha	30	20
Jakarta	30	20
Johannesburg	25	15
Kuala Lumpur	30	20
London	15	10
Los Angeles	25	15
Lyon	15	10
Madrid	25	15
Mumbai	30	20
Nairobi	25	15
Paris	15	10
Rangoon	30	20
Riyadh	30	20
Singapore	30	20
Sofia	15	10
Taipei	30	20
Tokyo	25	15
Tripoli	30	20
Ulaanbaatar	15	10
Yokohama	25	15



Exceeding customers' expectations means achieving quality standards at the highest level. TI Group companies targeted quality improvements in 1998, winning no fewer than 81 ISO, QS and customer awards, as against 40 in 1997. Bundy's VARI-FORM operation was selected by DaimlerChrysler as one of the handful of its 11,000 suppliers worthy of its Quality Role Model Award. Forsheda won best supplier status from Electrolux for zero defects and 100% on-time delivery. Dowty's achievements included 'best in class' awards from GE and Volvo Aerospace. John Crane Cyclam won the 'Chanté Qualité du Déla' from Renault V6, for the second consecutive year. The challenge for 1999 – raise quality to new peaks. TI Group has four specialised engineering businesses: John Crane, Forsheda, Bundy and Dowty. Each one is a technological and market leader in its field. Together their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.

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FINANCIAL TIMES

COMPANIES & MARKETS

TUESDAY APRIL 6 1999

Week 14

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INSIDE

SAS looks for sharp climb

Scandinavian Airlines System is a carrier in transit. The three-nation Nordic airline is midway through a physical and financial overhaul. From a distance it looks superficial. But Jan Stenberg, SAS's chief executive, says under the facade is deeper surgery. "It may look like fine tuning... but five years from now SAS will be quite a different airline." Page 17

Mergers drag banks from abyss

European bank shares are back from the abyss they fell into last year. The recent mergers and acquisitions frenzy - although not the sole factor - has helped pull them out of their misery. But there are doubts about the sustainability of the momentum. Bank stocks rose by 10.8 per cent in the first quarter, outperforming the FTSE Eurotop 300 index by 47 per cent. Page 32

Japan's rice hagglers are reborn

Futures trading was born three centuries ago at a rice market in Osaka, as merchants haggled over the price of rice. Despite this, commodity trading has never inspired Japanese investors. But Japan is trying to bolster commodity-related activities as part of the deregulation of investment trusts and the past 12 months have seen sales of commodity funds surge. Page 22

Bombay falls on political turmoil

An attack of political jitters sent Bombay stocks steeply lower, slicing 4.5 per cent off the BSE-30 index which closed down 105.9 at 3,519.39. Fears that fighting in the governing coalition could delay implementation of the budget sparked a wave of selling. Page 32

Improving sentiment no help for yen

The US dollar continued to strengthen against the Japanese yen despite a more upbeat message from the latest Japanese business survey. The Tankan index showed the first rise in business sentiment for two years. Page 23

Corporate Chile takes Yankee bond

After nearly 10 months with barely a trickle of insurance, Chilean companies are returning to the Yankee bond market with up to \$2bn (£1.65bn) of debt in the pipeline. Emboldened by the government's proposed \$500m benchmark issue and encouraged by narrowing yield spreads, corporate leaders are working with US banks on marketing new debt. Page 16

Australia shrugs off commodity cuts

The Australian dollar is unperturbed by the reduction in the contract prices of coal and iron ore and the accompanying fall in Australian commodity price indices. The falls had already been discounted by currency traders. Page 22

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Paribas and SG dissent may emerge

By Simon Iskander in Paris

Banks' boards vote today on BNP's hostile bid as splits begin to appear

The first sign of internal dissent may emerge today at Société Générale and Paribas as the banks' boards meet to vote on the two-pronged hostile bid for them by rival Banque Nationale de Paris.

The SG and Paribas boards expected to confirm their initial rejection of BNP's announcement last month. However, today's vote is likely to be less clear cut.

Although a majority of directors is still opposed to the hostile nature of the move, many support the industrial logic of

merging France's largest listed banks.

BNP's unexpected attack on March 9 was a threat to a friendly merger between SG and Paribas agreed a month earlier. In the days after the hostile move, the boards of SG and Paribas rejected BNP's twin offers almost unanimously. Only AXA, the insurance company, which is Paribas' largest single shareholder and is represented on the boards of the three antagonists, supported BNP's initiative.

Disenters may become more vocal now that BNP's bids have cleared all regulatory hurdles.

To recent weeks, a number of bankers have come out in favour of BNP's proposal. The market has also reacted more favourably to BNP's move than to the initial SG-Paribas tie-up. But in the past week, SG shares rose above the parity offered by BNP, reflecting expectations that the targets' strong opposition would lead BNP to improve the terms of its offer. BNP is offering to exchange 11 of its shares for eight Paribas, and 15 BNP shares for seven SG. SG is offering five of its shares for eight Paribas.

Japan banks sold \$25bn of bad loans

By Gillian Triggs in Tokyo

Japan's nine biggest commercial banks sold a record ¥3,000bn (\$25bn) worth of bad loans to the year to March 31, as part of their restructuring.

The sales, which are three times those in fiscal 1997, include ¥800bn of sales by the Bank of Tokyo-Mitsubishi and ¥460bn of sales by Dai-ichi Kangyo Bank.

These are a small fraction of the bad loans which have dogged the Japanese banking sector in recent years. In fiscal 1998 alone, the biggest banks are believed to have made loan loss provisions for around ¥10,000bn.

But the successful sales trend offers a hint that Japan is starting to tackle its long-running financial problems.

Brian Waterhouse, analyst at RSC Securities, said: "This volume is not enough, but it is good news - it's the right direction."

Although details of the loan sales remain secret, Japanese bank officials estimate about a third of them have involved foreign investors.

In particular, US investment banks such as Goldman Sachs and Morgan Stanley and opportunity funds such as Cerberus Capital Management and Lonestar are now scouring Japan for cheap investment opportunities.

Some Japanese newspapers have recently suggested the volume of foreign purchases of distressed assets could have

risen to ¥6,000bn in recent years. Aside from commercial banks, other companies, financial and otherwise, have recently been selling bad loans, real estate and other assets.

It remains unclear whether the commercial banks' sales will continue at the same pace, because the real estate market remains extremely weak.

Although precise price data are unavailable, industry analysts estimate the average sale price has dropped 30 per cent below value during the last year. A spokesman for BTM said: "We expect more sales this year, but it depends on the condition of the market."

The government is now pressing banks to remove their bad loans to boost Japan's ailing economy and real estate market. Last week, it established a public institution known as the Resolution Collection Corporation, which will be permitted to purchase bad loans from healthy banks and sell them on to other investors.

The government is also changing the tax and legal infrastructure to make it easier for private financial groups to set up companies to service debts. This prompted Orix, the country's largest leasing company, to announce last week that it would become one of the first large Japanese companies to establish a servicing subsidiary.

The Japanese government has never released data on the volume of bad loan sales.



Nissan president Yoshiyuki Hasegawa after announcing a strategic deal with Renault last month. Nissan faces a shortfall in pension reserves

RENAULT DISCOVERS \$4.8BN UNDERFUNDING IN RUN UP TO STRATEGIC ALLIANCE

Nissan faces pensions shortfall

By Alexandra Harvey in Tokyo

Nissan Motor, the troubled Japanese carmaker that signed a strategic alliance with Renault last month, has a ¥680bn (\$4.8bn) shortfall in its pension reserves, according to the French carmaker.

The shortfall is significant because Nissan will be forced to record it as a liability on its balance sheet next year when changes in Japanese accounting principles come into effect.

Renault, which calculated the pension liabilities as part of its due diligence on Nissan before spending ¥648bn to buy a 36.5 per cent stake in the carmaker, said the underfunding would not be a problem because Nissan had sufficient

latent gains on land holdings to offset the deficit. Analysts said that Renault estimated Nissan to have more than ¥1,000bn in latent gains from real estate assets.

The shortfall in corporate pension schemes, exacerbated by the sharp fall in interest rates and previous restrictions on how those funds could be invested, has been the subject of recent political debate in Japan. On top of proposals

to fix the public pension system, politicians in the Liberal Democratic party and Liberal party are considering plans to allow companies to put their equity shareholdings into their pension funds or adopt a revised defined contribution plan such as the 401k programme in the US.

Japanese institutions are forming alliances, sometimes with international partners, to serve the evolving pensions market. Société Générale, the French bank, said yesterday it would participate in a joint venture being created by Nomura Securities and Industrial Bank of Japan.

Earlier this year, Toyota Motor revealed that its pension scheme was underfunded by ¥300bn, nearly half the size

of Nissan's shortfall. Analysts have warned that these calculations depend greatly on the rate used for investing funds. For many years, companies assumed a 5.5 per cent rate of return on pension reserve funds. Japanese government bonds, which were frequently used by pension fund managers, have not earned this rate of return since 1991.

Analysts said the 3 per cent discount rate Renault used was more reasonable. "It's believable. I think people are very comfortable with these numbers, and it is a way out of [the pension problem] for Renault," said Peter Boardman, analyst at Warburg Dillon Fund.

Citigroup defends move from Visa to MasterCard

By John Authers in New York

Citigroup's consumer chiefs, talking for the first time about the company's shift of business away from the Visa credit card association to its rival MasterCard, say economies of scale were the main reason.

William Campbell, co-head of global consumer operations for Citigroup, said: "It's very unusual that the largest player doesn't get some economies of scale. We weren't choosing MasterCard versus Visa, we were choosing ourselves versus an association, and we were choosing the kind of relationship with our network which would reward economies of scale."

Other benefits for Citigroup, formed by the merger of Citicorp and Travelers Group, include the possibility of reviv-

ing the Diners Club card network, which it owns, with some form of co-branding with MasterCard.

Robert Lipp, the other co-head of Citigroup's global consumer business, said that such a card, might allow a "much more vibrant Diners Club product", which would be competitive in the market for travel and entertainment cards, currently dominated by American Express.

The move to MasterCard was also intended to boost the Cit brand name. According to Mr Campbell: "We have the relationship with the customer, we cherish that and want to nurture it and expand it. Therefore, we believe that our trademark should at least be dominant." But there had not yet been a decision over whether to move the Master-

Card logo to the back of Citigroup's credit cards, a move which would require the consent of all MasterCard's directors. "We want the resources and the physical capability to build the brand ourselves. We don't hold MasterCard responsible for building Cit's brand," Mr Campbell said.

Citigroup is also testing the use of credit cards in "cross-selling" other products. Mr Lipp said: "The first effort there was to look at those credit card holders who were finding it difficult to make their payments, and essentially to try to restructure their debt using secured lending" offered by Citigroup's Commercial Credit Group.

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SEC investigates Oechsle partner

By Clay Harris in London

The man placed on administrative leave during a US Securities and Exchange Commission investigation into trades in British Biotech, is a senior executive at Oechsle International Advisers, the fund management group involved.

Andrew Parlin is one of 14 principals - the equivalent of a general partner - and a member of the investment committee at Oechsle, which last week confirmed that the SEC was "conducting an inquiry into trades for accounts managed by a single portfolio manager", who had been placed on leave.

Oechsle's statement followed last week's fines by the London Stock Exchange of £250,000 (\$402,500) for ABN Amro Equities (UK) and £100,000 for Morgan Stanley Securities. The exchange said the Dutch and US groups had accepted orders that included the instruction to move a share price.

The breach of rules fell far short of the market "manipulation" cited in the exchange's previous disciplinary action against J.P. Morgan, the US investment bank that was fined £250,000 after two traders tried to influence the FTSE-100 index with last-minute trading in two shares.

Oechsle had \$12bn in assets under management last May, when Dresdner Bank sold its 65.8 per cent limited partnership interest in the group. The

German bank bought its interest in 1995, three years after Walter Oechsle and other executives moved from Putnam Investments, another Boston-based fund manager, to establish the firm. In the 1995 deal, Oechsle's management nearly doubled its collective interest to 65 per cent, while First Financial Group, the New England bank, took the other 35 per cent.

In its most recent disclosures to the London Stock Exchange, Oechsle said its holdings for discretionary clients was 10.37 per cent of British Biotech, the former flagship of the UK's biotechnology sector, nearly 6.3 per cent of Somerfield, the supermarket chain, and 3.18 per cent of Pilkington, the glass maker.



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COMPANIES & FINANCE: INTERNATIONAL

NOTICE OF ANNUAL GENERAL MEETING

The Shareholders of Persitor AB (publ) are hereby invited to attend the Annual General Meeting to be held on Saturday, 24th April, 1999 at 10:00 a.m. (Swedish time) at Persgård, Persitor AB's employee centre in Persitor, Sweden.

Right to participate. Notification

In order to take part in the Annual General Meeting, Shareholders must be registered in the Shareholders' Register maintained by the Swedish Securities Register Centre (Värdpapircentralen VPC) on Wednesday, 14th April, 1999. A Shareholder may stand and vote at the Meeting in person or by proxy. However, in accordance with Swedish practice the Company does not send forms of proxy to its Shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the Company. Notification of intended participation at the Annual General Meeting must be given to Persitor AB no later than Tuesday, 20th April, 1999 at 3:00 p.m. (Swedish time) by telephone, by calling (00) 46 435-378 50 (direct line); or by mail, addressed to Persitor AB, SE-284 80 Persitor, Sweden. When notifying the Company the Shareholder should state name, personal code number or organisation registration number, address and telephone number. Shareholders who have placed their shares in trust must temporarily re-register the shares in their own names to allow them to participate in the Meeting. A Shareholder must inform the trustee thereof in good time before Wednesday, 14th April, 1999, at which date such re-registration must have been executed. The Company will confirm receipt of notice of participation by sending an admission card to be shown at the Meeting. This confirmation will also include a detailed description of the most suitable route to Persgård.

Matters at the Meeting

- Proposal for agenda**
1. Opening of the Meeting
 2. Election of Chairman to preside at the Meeting
 3. Preparation and approval of a voting list
 4. Approval of the agenda
 5. Election of two persons to approve the minutes.
 6. Examination of whether the Meeting has been properly convened.
 7. Managing Director's report.
 8. Presentation of the Annual Report, the Auditors' Report on the Parent Company, the Consolidated Accounts and the Auditors' Report on the Group.
 9. Consideration of resolutions in respect of the following:
 - (a) the adoption of the Parent Company Income Statement, the Parent Company Balance Sheet, the Consolidated Income Statement and the Consolidated Balance Sheet,
 - (b) the appropriation of the Company's profit according to the adopted Balance Sheet,
 - (c) Record Dates, in case the Meeting resolves on dividends, and
 - (d) the Directors' and the Managing Director's discharge from liability.
 10. Determination of the number of Directors and deputy members of the Board and Auditors
 11. Determination of the fees for the Board of Directors and the Auditors.
 12. Election of the Board of Directors.
 13. Election of the Auditors and term of office for them.
 14. The Board of Directors' proposed amendments to the Articles of Association.
 15. Closing of the Meeting.

Dividends and Record Dates (Item 9(b) and (c) of the agenda)

- The Board of Directors proposes:
- (a) a dividend of SEK 4 per share and that the Record Date for the dividend be Wednesday, 28th April, 1999. Should this be approved, it is anticipated that the dividend will be distributed by the Swedish Securities Register Centre on Wednesday, 5th May, 1999; and
 - (b) a dividend of all the shares of the wholly-owned subsidiary Persitor Life Science AB (under proposed change of name to Persitor Science AB) in proportion to the number of shares in Persitor AB held by the Shareholders, implying that the Shareholders of Persitor AB, irrespective of series of shares, will receive one and the same series of shares in Persitor Life Science AB. As Record Date for the dividend Friday, 15th October, 1999 is proposed. The one then having the right to dividend will receive a notice from the Swedish Securities Register Centre showing the holding of shares in Persitor Life Science AB.

Election of the Board of Directors and the Auditors (Items 10, 12 and 13 of the agenda)

The nomination committee has informed the Company that it intends to propose that the General Meeting elects eight Directors without deputies and re-elects as members of the Board Gunnar Brock, Åke Fredriksson, Christer Gardell, Kim Lennart Wendi and Wilhelm Wendi and elects as new members of the Board Fredrik Åp, CEO of Trolleberg AB, and Urban Jansson, Chairman of Dahl, Esselle, Pricast, Intrum Justitia Group and other companies. The present Chairman of the Board Gösta Wiking has declared that he does not wish to be re-elected. The nomination committee has recommended that the Board of Directors elects Urban Jansson as new Chairman of the Board.

The nomination committee has further informed the Company that it intends to propose that the General Meeting re-elects as Auditor Stig Nilsson and elects as new Auditor Anders Scherman and re-elects as deputy Auditor Jan Eriksson as new deputy Auditor. Jan Eriksson, all of them authorised public accountants, Ernst & Young, and that all of them be elected for a term of office of one year.

The nomination committee, which has consisted of the Chairman of the Board Gösta Wiking and the appointed representatives of the major Shareholders Carl Henrik Wendi, Sven Hagström and Thomas Halvorsen, has secured the support for its proposals of Shareholders representing more than 50% of votes as well as capital.

Remunerations for the Board of Directors and the Auditors (Item 11 of the agenda)

The nomination committee proposes that a remuneration of totally SEK 1,100,000 shall be paid to the Directors of the Board and that the Auditors shall be indemnified according to invoice for hours worked.

The Board of Directors' proposed amendments to the Articles of Association (Item 14 of the agenda)

- The Board of Directors proposes that the Annual General Meeting, due to amendments of the Swedish Companies Act which have become effective on 1st January, 1999 and an effected review of the provisions of the Articles of Association, resolves that the Articles of Association be amended, implying that:
- (i) the Board of Directors of the Company shall have its seat in the municipality of Persitor, County of Skåne (§ 3);
 - (ii) not more than two deputy Directors may be elected (§ 7);
 - (iii) the provision regarding the terms of office for the Auditors is deleted and that the General Meeting shall appoint two Auditors and the same number of deputies for them (§ 8);
 - (iv) the General Meeting shall be opened by the Chairman of the Board or by a person appointed by the Board and that in the agenda of matters to be dealt with at the Annual General Meeting an item is added regarding approval of the agenda and that, as regards determination of the Auditors' fees and appointment of the Auditors, "if applicable" is added (§ 10);
 - (v) a notice convening an Annual General Meeting and a notice convening an Extraordinary General Meeting at which a question regarding amendment of the Articles of Association will be dealt with shall be issued at the earliest six weeks and at the latest four weeks prior to the Meeting; that a notice convening another Extraordinary General Meeting shall be issued at the earliest six weeks and at the latest two weeks prior to the Meeting; and that a notice convening a General Meeting shall be advertised in the Swedish Official Gazette and in one local newspaper circulated within the locality where the Board of Directors of the Company has its seat and in Svenska Dagbladet or another national newspaper (§ 11);
 - (vi) the date stated in the notice as the latest date for notification of intended participation in the General Meeting must not fall earlier than the fifth weekday before the Meeting (§ 11);
 - (vii) a shareholder is allowed to bring one or two assistants to the General Meeting, but only if the shareholder gives notice to the Company of the number of assistants no later than the date stated in the notice (§ 11).

Documents

The complete proposal of the Board of Directors regarding the amendments of the Articles of Association will be made available for inspection by the Shareholders at the head office of Persitor AB in Persitor and at the offices of Enskilda Securities, Skanska AB Enskilda Banken at 2 Cannon Street, London EC4M 3EX from Friday, 9th April, 1999. A copy of the document will also be sent upon request to Shareholders stating their postal address and will also be available at the Meeting.

A separate information brochure regarding the dividend of all the shares of Persitor Life Science AB will be distributed to the Shareholders of Persitor AB in due time before the General Meeting. The information brochure can also be ordered on telephone number (00) 46 435-383 87.

Persitor, April 1999

The Board of Persitor AB

BIG BANG FINANCIAL SECTOR PREPARES FOR LIBERALISATION

SocGen set for Japan pensions joint venture

By Mark McKinnon and Gillian Tett in Tokyo

Société Générale, the French bank, said yesterday it would participate in the joint venture between Nomura Securities, Japan's largest securities house, and Industrial Bank of Japan in the US-style 401k pensions market.

Goldman Sachs, the US investment bank, confirmed it had been approached by IBJ and Nomura but said no firm decision had been taken about whether to take part.

The announcements come amid a flurry of activity in the financial sector ahead of the liberalisation of Japan's pensions market expected in 2000 as part of Big Bang, the rolling programme of deregulation.

While details of the legislation have yet to be decided, many observers believe the crisis facing the country's current system has made the introduction of a 401k type portable private pensions system extremely attractive for the authorities.

US 401k schemes are based on a defined system of contributions which are managed by an investment group. Japan has traditionally used defined benefit

pensions, in which benefit levels are guaranteed by the government or company.

But defined benefits are looking increasingly unsustainable, prompting exploration of whether a 401k system could be used in Japan.

Three big groups have entered in the race to form pensions alliances. Nomura and IBJ form the core of a joint venture called Japan Investor Solution and Technology, which will principally provide record-keeping systems for 401k pension plans.

They have been joined by four members of the Mitsu keiretsu, or business group, including Sakura Bank and Daiwa Life, Fuji Bank and Yasuda Life of the Fuyo business group will also be taking part. Sanwa Bank, Toyo Trust and Banking and Daiwa Mutual, which yesterday announced that they would be setting up a 401k sales consulting and planning company in August, will also participate.

Goldman Sachs, the largest foreign mutual fund group in Japan, said it backed the 401k market could have potential in Japan, though its development could depend on the course of future legislation.

"This is something under serious consideration but there are numerous tax, legal and practical issues to be addressed."

Meanwhile, the Mitsubishi and Sumitomo keiretsu, led by Bank of Tokyo-Mitsubishi and Sumitomo Bank have also joined forces to create another pensions alliance.

They will be joined by fellow keiretsu members such as Tokai Fire and Marine, the country's largest non-life insurance company, Meiji Life and Sumitomo Life. Daiwa Securities, which has recently formed a securities alliance with Sumitomo Bank, will also join the alliance.

Nippon Life, the world's largest life insurer, also recently announced that it would set up a joint venture with IBM Japan and Hitachi to develop computer administration systems for 401k-type pensions.

It will be joined by a host of big names such as NTT, Japan's largest telecommunications company; Fujitsu, the leading computer maker; CSK, the largest independent information services company; and NTT Data, the biggest domestic system integrator, in developing the new systems.

Chilean companies return to bond markets

By Mark McKinnon in Santiago

After nearly 10 months with barely a trickle of issuance, Chilean companies are returning to the Yankee bond market with up to \$250 worth of deals in the pipeline or already priced.

Emboldened by the government's proposed \$500m benchmark issue this month, and encouraged by narrowing yield spreads, corporate leaders such as Endesa, the country's largest electricity generator, Enersis, the electricity distributor, and state-controlled CODELCO, the world's largest copper producer, are working with US investment banks on marketing new debt.

Endesa last Wednesday priced a \$400m 10-year Yankee bond at 330 basis points over Treasuries. Its first issue since last June's 10-year deal, which carried a 285 point spread. The latest issue is led by Salomon Smith Barney, with J.P. Morgan and Citicorp.

According to Carlos Ingham, general manager of J.P. Morgan in Santiago, the deal confirms a growing appetite for Chilean paper, after two smaller Yankee

placements and an asset-backed offering since January. "There was a lot of interest in Endesa and the deal was raised from \$300m. People are looking at Chile again, and this is good news."

CODELCO is assessing demand for a \$300m 10- to 30-year Yankee soon after the government issue. Merrill Lynch is also leading a prospective \$150m deal by Banco de Estado.

Analysts say investors see Chilean paper as relatively high-yield but low-risk, with little distinction between the sovereign issuer - which has an A- rating from rating agency Standard & Poor's - and large corporations.

Pricing is still expensive compared with the boom years before the Russian and Asian financial crises, but perceptions that the country is hauling itself out of the current downturn are helping to tighten spreads.

"When Endesa first went to market back in 1996, the price was 90 basis points for a 10-year [issue] and it traded down to levels of 75 basis points," said a bond analyst at a US investment bank. "At the peak of the

Asian/Russian crisis, you were looking at 500 basis points. You could say we've gone halfway back to where things were before the Asian crisis."

Meanwhile, bankers say the sovereign issue, the first by the country in decades, is on track for pricing this month in spite of persistent market talk of a postponement. The deal is likely to be placed at around 300 basis points over Treasuries, although the government had been hoping for somewhere closer to 200.

Armen Kouyoumdjian, a private sector country risk consultant, said investors were stinging Chile out from the rest of Latin America because of its stable currency, relatively low interest rates and improving trade position.

However, he warned that weak demand and rising unemployment, coupled with intensifying social unrest among workers and indigenous communities, could upset official forecasts of a second half recovery.

"This is not a country that is going to recover in three months' time. I think people are being sold a mirage."

Enron set to take Grupo Tribasa stake

By Andrew Mandel-Campbell in Mexico City

Grupo Tribasa, the troubled Mexican construction company, is seeking relief from a severe cash crunch through a strategic alliance with Enron Engineering and Construction Company that could see the subsidiary of US-owned energy giant, Enron Corp., taking an equity stake.

Enron will decide whether to exercise an option to invest during a special meeting of Tribasa shareholders scheduled for April 14, said Manuel Delgado, Tribasa vice-president of finances. Enron has committed itself to providing the cash-strapped Tribasa with a \$27m loan that it may opt to convert into capital, said Mr Delgado.

Tribasa will more than likely use the loan to cover a \$26m debt which the builder defaulted on last week, say analysts. In March, Tribasa announced a restructuring to reduce corporate debt by \$500m and secure a capital injection of some \$300m in a bid to reduce debt of approximately 130m pesos (\$1.2bn).

"Tribasa is a \$1bn headache and if a company like Enron wants to do business and loan money it is a small step in the right direction, but we definitely want to see a lot more progress in the future," said Guillermo Serrano, construction analyst

with Santander in Mexico City.

Enron will help lighten Tribasa's debt load by providing half the financing for current and future projects, said Mr Delgado.

Tribasa has accumulated \$350m in project related-debt since walking away with the bulk of Mexico's construction tenders and privatisation concessions in recent months.

The firm, with gross revenue of \$500m last year, has over-extended itself, say analysts, since winning the concessions for Mexico's south-eastern railway line as well as the first package of airports to be privatised. More recently, Tribasa, together with consortium partners, picked up \$3.4bn in contracts to upgrade two refineries owned by Mexico's state-owned oil company, Pemex.

Traditionally a highway builder, Tribasa will be looking to Enron to provide expertise in the energy sector. Similarly, Enron, which has been expanding rapidly in Latin America, will be able to offer Tribasa a steady source of work, say analysts.

"This is the best news that has happened to us in the last five years," said Mr Delgado. "To be associated with Enron, a world energy leader, means we will be working with leading edge technology and they have the necessary resources to make financing available."

NEWS DIGEST

INDONESIA

Tambang Timah to branch out into coal and gold

Tambang Timah, the partially privatised Indonesian tin mining company, yesterday confirmed plans to buy into three other mining companies and an asphalt plant this year. The company said it would diversify into the profitable coal business by acquiring 30 per cent of Kalut Prima Coal, a mine owned by British Petroleum and Rio Tinto which is by contract obliged to divest a stake locally. Timah would also buy 69 per cent of Berau Coal, part of the Astra International conglomerate which is selling assets to raise cash. Timah will take over a gold mine from Gajah Tunggal, another cash-strapped group, as well as an asphalt plant now owned by a state company. The government is to sell at least 30 per cent of the company, leaving the state with at most 35 per cent, but the privatisation has been delayed to allow diversification to be completed. Investors have been wary of Timah because officials are still toying with merging Timah with a troubled state-owned coal mining company, Tambang Batubara Bukit Asam. Sander Thoenes, Jakarta

PHILIPPINES

Great Pacific link for ABN Amro

ABN Amro, the Dutch banking group, has agreed to buy access to the Philippines by acquiring a controlling stake in the Manila-based Great Pacific Savings Bank from Alfonso Yuchengco, the Filipino-Chinese tycoon. Great Pacific was formerly known as BA Savings Bank, part of the Bank of America Group, but last June the US bank sold its 39 per cent share to the Yuchengco Group. ABN Amro is not disclosing how much it will pay for control of the thrift bank, which at the end of 1998 had total assets of 5.48bn pesos (\$141m) and loan assets of 4.58bn pesos. The Dutch bank, which holds a restricted offshore licence in the Philippines, said the acquisition would give it a foothold in the domestic banking market, expand its peso-denominated business and allow it to move into consumer banking. Andrew Bolger

THAILAND

Casino takes stake in retailer

Thai retailer Big C Supercenter said it would sell a significant stake to Casino, the French retail group. Big C, controlled by the Chirativat family which owns the Central Group's retailing and hotel empire, will issue 530m new shares, nearly tripling registered capital to \$180m (\$212m) from \$12.7bn. With nearly 20 stores, Big C last posted an operating profit in 1998. The new shares will be sold to Casino and Thailand's Sawawee Holding at \$11.5 per share, a 9.5 per cent premium to the price of Big C shares when they last traded on March 26. The company said the amounts sold to the two new investors will be determined later but analysts believed the French company, perhaps using nominees, would end up as the largest shareholder. European retailers dominate the Thai hypermarket industry. Tesco of the UK has bought the Lotus chain from the giant CP Group, while Makro took control of Siam Makro from CP. Last year Ahold took control of Tops Supermarket from the Central Group. Ted Berdack, Bangkok

RUSSIA

Interbrew in Sun Brewing link

Interbrew of Belgium has created a joint venture with Sun Brewing of Russia to control their combined brewing, malting and soft drinks assets in Russia and the Ukraine. Under the terms of the deal, interbrew, which owns brands including Labatt of Canada, will invest \$40m in cash and hand over its controlling stakes in the Rosar brewery in Omsk and the Desna brewery in Chernivki, Ukraine. It will also underwrite further non-voting shares that may be issued over the coming three years with first priority to existing shareholders in the new joint venture. Sun Interbrew, the name of the combined group, will be quoted on the Luxembourg stock exchange, with 34 per cent of the shares held by interbrew and Sun Brewing, and the remainder by a range of other investors. It will have the exclusive licence for brewing Stella Artois in the region. Sun Brewing estimated the total investment in interbrew in cash and assets at \$130m. Andrew Jack, Moscow

Notice of a Meeting of Holders of 9 per cent. Convertible Debentures, Series 1, due 31 March 2003 of Benz Energy Ltd.

Notice is hereby given that a meeting of holders of the 9 per cent. Convertible Debentures, Series 1 of Benz Energy Ltd. due 31 March 2003 will be held at Zurichstrasse 24, Wetzlar, Germany, on 20 April 1999 at 10:00 p.m. (local time) to consider and if thought fit to pass an Extraordinary Resolution to approve amendments to (a) the Trust Indenture dated as of 25 March 1999 and made between Benz Energy Ltd. ("Benz") and Montreal Trust Company of Canada ("Montreal Trust") which constitutes the terms and conditions of certain debentures issued and to be issued by Benz; and (b) the terms and conditions of the 9 per cent. Convertible Debentures, Series 1, of Benz due 31 March 2003. The proposed amendments will (i) reduce the tangible assets to Long-Term Debt covenant from 140 per cent to 100 per cent, for the years ending 31 December 1998 and 1999; (ii) remove restrictions on intercompany advances by EnCap; (iii) amend various provisions in connection with the intended integration of Benz from Canada to Delaware; (iv) reduce the conversion price from Cdn \$1.70 to Cdn \$1.40; and (v) evidence other appropriate changes. Such amendments will be evidenced by letters of supplemental indenture to be entered into by Benz and Montreal Trust substantially in the form presented to the meeting.

The amendment to the Trust Indenture will be conditional upon any approval received from the Securities and Exchange Commission of Benz.

A draft of the proposed terms of the supplemental indenture, a longer-form notice to holders, a proxy form and a voting certificate request form are available from Benz (tel: +1 725 728 0281 or (914) 491-2434) or Kriedtebank SA Luxembourg (tel: +352 47 87 59 33).

By order of the Board

Eagle Pier Corporation B.V.
US\$300,000,000 Floating Rate Secured Notes due 2001
Notice is hereby given that the notes will bear interest at 5.31% per annum for the period 6 April 1999 to 4 October 1999. Interest payable on 4 October 1999 will amount to US\$26,70 per US\$1,000 note.

Global Agency and Trust Services, Citibank, N.A., London

6 April 1999

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COMPANIES & FINANCE: INTERNATIONAL

UPC seeks further expansion in Europe

By Gordon Grubb in Amsterdam

United Pan-European Communications (UPC), the cable television provider, is seeking further acquisitions after buying businesses in three countries since its February flotation.

Mark Schneider, chairman, said UPC was looking at opportunities to increase its subscriber base in Europe, where it is already the largest private-sector cable TV company. Targets included Cablelink, the Irish market leader, which is for sale this month.

UPC, on which Microsoft of the US spent \$335m to take an initial 7 per cent stake, pleased its new shareholders with 1998 results on Thursday showing rapid growth in telephone and

internet services. The shares, offered at €29 or \$32.78, rose €1.20 that day to €31.50, although UPC announced a widened net loss of €1562.9m (€255m, \$276m), against €1175.5m.

Earnings before interest, tax, depreciation and amortisation - a more closely watched indicator in the industry - grew 6.6 per cent to €1114m.

Since the launch UPC has added to its portfolio in the Netherlands, France and Slovakia. It is also upgrading its networks to allow telephony and high-speed video and data traffic. Of its 2.2m cable subscribers, nearly half already have access to these services.

Mr Schneider said that within a year it could spin off part of Chello Broadband,

its European internet backbone launched last month, which offers data capacity to other providers. "We might float it, or take in another investor strategically," he said. Microsoft has an option to buy 10 per cent of Chello at fair market value.

Apart from Cablelink, being sold by Telecom Eireann and the broadcaster RTE, the company would like full control of the Amsterdam-based A2000. A half-share owned by MediaOne may be up for sale as a result of its merger agreed last month with Comcast, the US cable operator.

"Comcast is very focused on what they are doing domestically, and MediaOne has some good assets in Europe. We are interested," said Mr Schneider.

SAS looks for sharp climb after restructuring

Loss of business class revenues increases pressure on the airline, writes Tim Burt

Scandinavian Airlines System is a carrier in transit. The three-nation Nordic airline - 50 per cent owned by the governments of Sweden, Denmark and Norway - is mid-way through a physical and financial overhaul.

Viewed from a distance, senior directors admit the programme might look superficial. Aircraft, are being repainted in a bolder livery; lounges have been revamped, hotels opened. Next month, the workforce will have new uniforms.

But Jan Stenberg, SAS's combative chief executive, says the facelift belies deeper and more important surgery. "It may look like fine tuning from outside. But when you add it all together, five years from now SAS will be quite a different airline."

As part of that transformation, SAS has begun to replace its ageing fleet of short-haul McDonnell Douglas and Fokker aircraft with the latest 737s from Boeing of the US. That SK121bn (\$1.46bn) renewal will be followed later this year by a SK131bn-SK151bn order for 12 long-haul jets.

Mr Stenberg said in an interview that Airbus, the European aircraft consortium, is favourite to win the order with a combination of its A330 and A340 aircraft. Up to now, SAS has relied on wide-bodied Boeing 767s for intercontinental services.

"We could start by taking A330s, going on to [larger] A340s. The aim is to increase capacity by almost 50 per cent with the same number of aircraft, with options for further acquisitions," the

chief executive added. The airline has also embarked on a hefty restructuring programme designed to improve gross profit margins - down from 10.6 to 10 per cent in 1998 - by three percentage points. Over the next two years, if successful, it should generate cost savings of SKr3bn.

That will involve a reorganisation of distribution and sales, while engine maintenance on new aircraft will be outsourced to Lufthansa of Germany. Mr Stenberg, who sits on Lufthansa's board, also wants to examine joint procurement and marketing with the German airline - one of SAS's partners in the nine-carrier Star alliance. "You will see activities in all fields to improve profitability. Overheads will be coming down - and fast," he says.

That all sounds encouraging for an airline with no tradition of generating shareholder value. But given the state of the European airline market and SAS's passenger profile, it may not be enough.

By its own admission, SAS is handicapped by rising personnel costs and stagnating yields - the average revenue per passenger kilometre. In 1998, productivity fell almost 4 per cent. Increased operating expenses cancelled out a 5 per cent reduction in fuel costs. More worryingly,

demand from business class passengers has fallen. Having fallen 4 per cent in the final quarter of last year, business class traffic fell 9 per cent in January and a



Looking at every: SAS believes its ongoing revamp is more than cosmetic

further 8 per cent in February. That was partly compensated by a strong increase in passengers travelling at the back of the plane. But the overall yield was still down more than 3 per cent in the first quarter.

Mr Stenberg says SAS is suffering the same malaise as British Airways and KLM of the Netherlands. "We are seeing a recession in the airline industry, everyone is suffering."

But SAS is more exposed to business class demand than most of its rivals. For every lost business class passenger, SAS needs to fill two and a half economy seats to maintain its yield. The problem is that SAS is not seeing a large migration from the

front of the plane to the back.

Competition has also intensified on busy routes. Eight carriers fly the Stockholm-Copenhagen corridor, while low-cost airlines have begun flying from the UK to Scandinavia. That means that SAS has to take steps - such as promotional offers, incentive schemes and new routes - just to defend its market share. Even then, it looks unlikely that profits in 1999 will match the SKr2.89bn achieved on sales of SKr41bn last year.

Against that background, it is questionable whether new aircraft, new liveries and a lower cost base will bolster SAS profits over the medium term. Mr Stenberg

thinks it will, and he is ready to consider more radical action.

The chief executive wants state shareholders to abandon the cumbersome shareholder structure in which each government holds 50 per cent of an SAS entity, quoted separately in Stockholm, Oslo and Copenhagen. The idea is to move to a single, more liquid SAS share where the states' interests would be diluted, giving the airline greater access to capital markets.

"It is hard to speculate. But why not get it done by the AGM next year?" says Mr Stenberg. "The governments are not in control of SAS today; it's changing direction."

Okuma sees sales upturn

By Peter Marsh

Okuma of Japan, one of the world's biggest machine tool companies, plans to boost its sales this year in Europe as a result of buoyant investment in the vehicle and general engineering industries.

It also expects a gradual upturn in Japan and the rest of south-east Asia. Machine tools turn out a range of components for products: from washing machines to aircraft, and are a bellwether of the state of confidence among manufacturing generally.

About \$400m a year of machine tools are sold worldwide. Okuma is among several

Japanese machine tool companies to have spread its sales more globally during the 1990s. In the year to the end of this month, it expects 65 per cent of sales of about ¥120bn (\$950m) to come from outside Japan, compared with 30 per cent in 1991.

Junro Kashiwa, Okuma chief executive, said he expected European sales - worth about ¥30bn in the year just ending - to climb by 15 per cent during 1999-2000.

He said market conditions were particularly favourable in southern European countries such as Italy and Spain, while demand in Germany was likely to flatten out at a fairly high level.

Mr Kashiwa also said he thought a "small upturn" in Okuma's home market in Japan could start towards the end of the year.

Conditions in south-east Asia were also stabilising.

In North America, where Okuma has its only factory outside Asia, economic conditions remained fairly strong. However Mr Kashiwa predicted a slight fall in 1999-2000 in sales in this region - which reached about ¥45bn in the year just ending - owing to a probable slight fall in demand in the coming months.

Okuma is targeting pre-tax profits at about 6.5 per cent of turnover in 1999-2000, about the same as in 1998-99.

ING to advise on Polish sale

Poland's Treasury has chosen ING to advise on the sale of a strategic stake in Telekomunikacja Polska SA (TP SA). Poland's listed state-controlled telecommunications operator, in what will be the country's largest privatisation deal to date, writes Christopher Robinson in Warsaw.

ING - which won the mandate against competition from J.P. Morgan, CSFB and Merrill Lynch - has been asked to place between 25 per cent and 35 per cent of the company with a strategic investor. A 15 per cent stake in TP SA was floated last year, with Schroders advising the government on the

transaction. TP SA has a market value of about \$7.5bn. The Treasury is hoping to have a short list of investors before the summer and to complete the deal this year. ING will be working with Nicon, a local consulting company, lawyers Clifford Chance and Arthur Andersen, the accountants.

CREDIT LYONNAIS 1998 RESULTS

One billion and a few comments

Under the chairmanship of Mr. Jean Peyrelevade, the Board of Directors of Crédit Lyonnais met on March 17, 1999 to examine the 1998 financial statements.

Net profit attributable to the Group totaled € 165 million (FRF 1.08 billion), three times higher than the previous year's figure of € 54 million (FRF 357 million). This performance is all the more remarkable in that it was achieved on a considerably reduced scope of consolidation and after a sharp rise in operating provisions for exposure in emerging countries. Mr. Peyrelevade stressed that following the progress made in 1997, the 1998 results reflect a continued improvement in the bank's fundamentals. This crucial factor, coupled with strong customer loyalty, give Crédit Lyonnais confidence as it approaches privatization and the next important stage in its history.

Continued improvement in results

Total banking income was down 4.7% to € 6,696 million (FRF 43.9 billion) due to the disposal of subsidiaries in Europe (Belgium and Spain) and in the French overseas departments. On a constant consolidation basis total banking income rose by 0.6%. This very modest growth reflects the bank's policy of maintaining tight

control over its total weighted assets and of reducing its exposure to emerging countries. Fee income rose by

Operating income before provisions amounted to € 1,686 million (FRF 11.0 billion), up 4.2% on a constant

(FRF 820 million), reflecting a steady improvement in the quality of the customer loan book over the past few years.

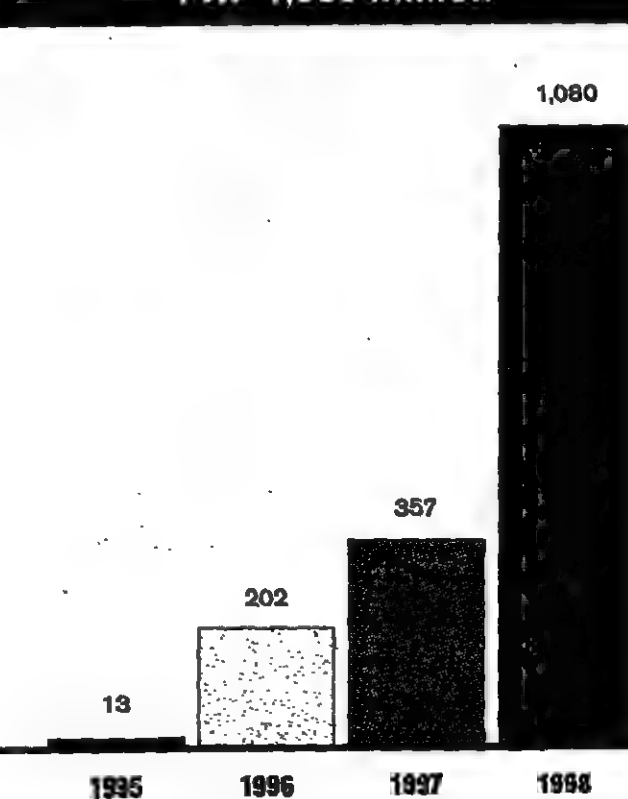
Consolidated net profit before minority interests amounted to € 350 million (FRF 2.3 billion). Net profit attributable to the Group totaled € 165 million (FRF 1.08 billion), a three-fold rise on the previous year.

The Group's capital adequacy ratio stood at 143% as of December 31, 1998, a significant improvement on the 1997 figure of 135%. The international solvency ratio amounted to 10.4% compared with 9.4% at end-1997, and the Tier one ratio to 5.4% compared with 4.8%.

Outlook

The decree authorizing the privatization of Crédit Lyonnais opens up new horizons for the bank. In the next few months, the process should begin with the establishment of a group of core shareholders to support the bank's development in certain business activities. The new equity capital raised at that time would bring its Tier one ratio to a level comparable with other continental European banks. The State, which intends to retain 10% of the capital, is due to conclude the process at the end of the first half with an initial public offering of the remaining shares, market conditions permitting.

Group share in net profit: FRF 1,080 million



11.9% overall and accounted for 37.7% of total banking income, compared with 34.7% in 1997.

The bank continued to maintain tight control over costs during 1998, with operating expenses down 0.6% on a constant consolidation basis.

The cost-to-income ratio fell to 74.8% compared with 76.0% in 1997, and has fallen by a total of ten percentage points over the past three years.

consolidation basis. The year's provision charge rose by 7.6% on a constant consolidation basis, to € 1,301 million (FRF 8.5 billion), including € 640 million (FRF 4.2 billion) in provisions for Asian and Russian exposure, and € 152 million (FRF 1 billion) to strengthen cover against other country risks. This rise overshadows an improvement in the cost of risk in most units, and particularly the French branch network, where loan loss provisions fell to € 125 million



CREDIT LYONNAIS

Internet: <http://www.creditlyonnais.com>

Notice to the public

Sale of 1000 kV transformation plant

Subject

Enel S.p.A. - Transmission Division, Viale Regina Margherita 125, 00198 - Roma, hereby issues a call for tenders for the sale ("procedura aperta di alienazione") of the 1000 kV electric power transformation plant located at Suvereto (province of Livorno), Italy.

The plant is composed by:

- A) an air-insulated bay, 380 kV;
- B) three single-phase autotransformers, 400/1000 kV, 400 MVA each;
- C) a GIS-substation, 1000 kV;
- D) a link with three oil-filled cables (length: approximately 600 m each);
- E) an AIS-substation for cable-line connection, 1000 kV;
- F) an overhead line, 1000 kV (length: approximately 3000 m).

Formulation of the tender

The parties interested can submit their tenders for the entire plant or for one or more of the systems/machinery/apparatuses composing the plant referred to herein.

In order to guarantee its tender, each tenderer is required to deposit a bid bond equal to 5% of the amount offered.

Procedures for the submission of the tender

Detailed information on the plant, the procedures for the submission of tenders, the tendering conditions can be requested - also by fax or e-mail, in any case making reference to the code of this call for tenders (TAZZ/001) - at:

Enel
Divisione Trasmissione - Segreteria Funzione Acquisti Appalti
Viale Regina Margherita, 125
00198 Roma (Italia)

telephone +390685094901 - fax +390685094891

e-mail: maurizio.bizzarro.dre@mailbox.enel.it

The tenders must reach Enel in a sealed envelope no later than 12:00 noon on May 31, 1999.

Awarding criterion

The awardee will be determined on the basis of the highest profit level for Enel, which reserves also the right to not proceed, entirely or in part, with the awarding.

Each awardee will be requested to deposit a contract bond, to guarantee the contractual obligations taken on, equal to 10% of the amount offered.

The payment of the amount must, in any case, be made before the withdrawal which will be care of and paid for by the awardee itself. Call for "procedura" has been published on the Official Journal of European Community (n. 54 March 18, 1999).

COMPANIES & FINANCE: INTERNATIONAL

TELECOMMUNICATIONS PURCHASE OF BUSINESS IN THREE STATES WILL CONFIRM GROUP AS BIGGEST US CELLULAR SERVICE PROVIDER

GTE to buy Ameritech unit for \$3.27bn

By Nikkai Tait in Chicago

GTE, the US telecommunications group, is to buy the cellular business of Ameritech, the Midwest-based local carrier, in three states for \$3.27bn.

Assuming GTE's own plans to merge with Bell Atlantic go ahead, the deal will confirm GTE as the largest cellular service provider in the US, with over 20 per cent of the market and about 13m subscribers.

The sale is one of the results of Ameritech's

planned merger with Tennessee-based SBC Communications. The Justice Department recently gave a green light to the \$56bn deal, on condition that the two "Baby Bells" sell off wireless services in areas where they have dominant, overlapping operations.

The businesses being sold by Ameritech take in about 30 cellular properties overall and include those in Chicago, its home town, St Louis, and surrounding areas of Illinois, northwestern Indiana and Missouri.

At present, they have nearly 1.5m customers, while the population in these areas is put at about 11.4m, according to the carrier.

About 1,700 Ameritech employees will transfer to GTE as a result of the sale.

However, the cash deal is still contingent on the SBC-

Ameritech merger being completed, and this has yet to win approval from the Federal Communications Commission.

By contrast, GTE officials said that the acquisition would not depend on a go-ahead for the separate

\$52bn GTE-Bell Atlantic merger, which is also undergoing regulatory scrutiny at present, and that they were hopeful of completing the purchase by mid-year.

GTE said that the Ameritech interests were "an exceptional fit" with its current portfolio and - coupled with the Bell Atlantic interests - would take it closer to becoming a national provider of cellular services.

"It strengthens our

national footprint," the buyer commented, pointing out that some of the properties were contiguous with existing GTE interests and that the increased presence would help to simplify roaming charges.

In the first full year of operation, GTE said it was looking for revenues of \$800m-\$850m from the acquired assets and a net income contribution of around \$90m to \$100m.

GTE is being joined in the purchase by Georgetown Partners, a minority-owned investment firm in Bethesda, Maryland.

NEWS DIGEST

REMUNERATION

Gap chief executive's pay doubles in year to \$7.3m

The pay of Millard Drexler, chief executive of Gap, more than doubled last year, to \$7.3m, as the retailer delivered another year of strong profit growth. The company's proxy form, filed yesterday, was also the latest to show how senior US executives have benefited from the sizeable share option awards granted to them in recent years.

Mr Drexler realised \$4.8m in gains from exercising share options in 1998. By December 31 his outstanding share options were valued at \$660m, of which \$28m were exercisable. Mr Drexler was paid a \$2m salary and a bonus of \$5.3m, including a \$2.9m payment under the company's executive long-term cash award performance plan. In 1997 he was paid \$3.5m in total.

Separately, US Airways disclosed that Stephen Wolf, its chairman, received a five-fold increase in his package of pay and stock awards from America's sixth-largest airline last year. His package increased from \$3.4m to \$17m in 1998, thanks to almost \$11m of restricted stock awards and a \$4m payment by the company to cover the tax liabilities on restricted stock. His salary rose from \$500,000 to \$580,000, and he again received a 100 per cent bonus.

Rakesh Gangwal, who succeeded Mr Wolf as president and chief executive last November, received a \$15.8m package, up from \$2.2m in 1997. This included almost \$11m worth of restricted stock awards, and \$2.9m for stock-related tax liabilities. Mr Gangwal's salary rose from \$429,000 to \$567,000, according to the proxy form filed by the company. Between the end of 1997 and December 31 1998, US Airways' stock price fell from \$62½ to \$52. The shares traded at \$51¼ yesterday - a week after it said it would buy \$500m worth of its shares.

Andrew Edgecliffe-Johnson, New York

LITIGATION

Harnischfeger wins retrial

Harnischfeger Industries, the Milwaukee-based manufacturer of mining and paper-making equipment which has been buffeted by problems in south-east Asia and a slump in mining activity, said yesterday that it had won the right to a retrial in its expensive litigation with Potlatch Corporation, which makes and sells plywood, lumber and other wood products.

The lawsuit brought by the San Francisco-based company had alleged that certain large pulp line washers, which cost less than \$15m, had failed to work satisfactorily. The complaint was filed in late 1995, and an Idaho state district court jury eventually awarded Potlatch \$95m in damages, although Harnischfeger said that the total bill - with fees, costs and interests - worked out at around \$120m. Harnischfeger said the jury finding was "grossly excessive" and appealed against the verdict to the Idaho Supreme Court, winning the retrial request. Harnischfeger shares rose 90¼ to \$5½. Nikkai Tait, Chicago

TELECOMMUNICATIONS

Lucent in talks with Libit

Lucent Technologies of the US, the world's largest maker of telecommunications equipment, is in advanced talks to acquire Libit, an Israeli start-up company, for about \$280m, sources say. Libit declined to comment but a shareholder said the deal would soon be completed. "Lucent will buy 100 per cent of the company for \$280m in cash," the source said. Libit designs and manufactures chips used for high-speed cable television modems. The company has no revenues. If the Libit deal is completed, the value of cross-border mergers and acquisitions with Israeli high-tech companies this year will climb to \$1.35bn, compared to \$2.13bn in 1998. Libit is a private company founded in 1994 by a group of Israeli professors, who hold 50 per cent. Avi Machlis, Jerusalem

Power-sharing problems fail to knock Citigroup off course

A year into the Citicorp/Travelers merger, there are no signs of either group's culture assuming dominance, writes John Authors

Exactly one year ago, John Reed of Citicorp and Sandy Weill of the Travelers Group stunned Wall Street by announcing that their companies were to merge.

The intervening year has brought more shocks, mostly from the corporate and investment banking side of the business, which endured more than its fair share of pain during the turbulence which followed the Russian financial crisis last August.

At the time the deal closed, the new company's market capitalisation was less than half the combined value of Citicorp and Travelers at the time the deal was announced.

Shortly after the Russian crisis, the company suffered a further jolt when Jamie Dimon, its president, whom many had assumed to be the most likely successor as chief executive, resigned abruptly.

Since then, the share price has recovered steadily, and is now almost back to its peak of last July.

Attention is also shifting away from investment banking to the consumer businesses, which made up more than half of both Travelers and Citicorp before the merger, and which raised profits by 30 per cent in the final quarter of last year while the rest of the company was suffering declines.

The consumer businesses are run jointly by William Campbell, the former chief executive of Philip Morris USA who was recruited by Mr Reed to build the "Cit" global brand, and by Robert Lipp, a long-term Travelers executive.

The two continue to work together, in one of several examples across Citigroup of the two predecessor companies retaining equal influence. Many on Wall Street had expected the more aggressively entrepreneurial Travelers culture to be dominant by now, but there is power-sharing at the top of both the commercial and the consumer divisions.

This has disappointed some Wall Street analysts, who wanted a clearer sense of direction.

Michael Mayo, banking analyst at Credit Suisse First Boston, said: "We would have thought that one side would have been more in control by this point. The Noah's Ark label still

have concentrated on deriving maximum advantage from Citigroup's size, rather than from cross-selling. The company has continued a squeeze on its expense base which started at Citicorp before the merger. According to Mr Lipp: "We are in business all over the world and if you put banks or credit card companies together there are operating economies from scale. I would say we would continue to do that."

The company has also quietly exercised its muscle in the acquisitions market, in a series of "fill-in" deals. Mr Lipp points to the acquisition of 128 consumer lending branches in the south of the US from Associates First Capital, a move which substantially increases Citigroup's US consumer lending operation, and its acquisition of Mellon Bank's credit card portfolio. Both deals have been announced in the past month.

Outside the US, it recently bought a consumer lending business in Chile. Few cross-selling initiatives have been announced to date. Citibank branch staff in the US are being retrained to offer financial advice including sales of insurance and investment products.

The company is also looking at offering its second mortgage lending products to Citibank credit card customers who appear to be in need of a consolidating loan - thus avoiding losing business to rival home equity lenders, and averting credit losses at

the credit card division. Internationally, its "Citigold" package of services will be aimed at affluent customers.

The brand identity unveiled a year ago, combining the Citigroup name in the old Citicorp letterhead with the Travelers' red umbrella logo, has remained unchanged, despite some expectations to the contrary.



Sanford J. Weill of Citicorp

John S. Reed of Citicorp

Share price (\$)

Source: DataStream

April 1998: Travelers Group and Citicorp announce \$155bn merger to create world's largest financial services company

July 1998: Citicorp's domestic bond arbitrage unit is closed after suffering a \$100m reversal in the second quarter

Oct 1998: Citicorp warns it expects third-quarter profits to fall to \$700m from a year prior \$821m in the year ago period. It blames 'unusual unanticipated instability' in world financial markets

Nov 1998: Jamie Dimon resigns as president of Citicorp and co-chief executive of Citicorp

Dec 1998: Citicorp announces \$300m restructuring charge and says it will shed 10,400 staff - 8% of the workforce

Feb 1999: Citicorp named credit card of the year, the world's largest credit card association

There are no plans to introduce any more radical change of corporate identity. According to Mr Campbell, who built his career managing the Marlboro brand at Philip Morris, the points that stand out with the Citigroup brand are its "globality" and its "innovativeness". Mr Campbell's brand marketing background also comes out when he suggests the Citicorp Center - the gleaming Manhattan skyscraper best known for the solar panels which cut a triangular wedge out of the top - sums up the brand. "If you look at this building, particularly from the other side of the river, you get a picture of what the brand is. It's a very modern and striking part of the world landscape."

Képpel FELS

Keppel FELS Limited
(Incorporated in the Republic of Singapore)
(Formerly known as Far East Livingston Shipbuilding Limited)

US\$120,000,000 1.5 per cent. Unsecured Convertible Bonds due 2001

Notice of Bondholders' Meeting

NOTICE IS HEREBY GIVEN that a meeting ("Bondholders' Meeting") of the holders (the "Bondholders") of the US\$120,000,000 principal amount of 1.5 per cent. unsecured convertible bonds due 2001 issued by KEPPEL FELS LIMITED ("KFL Bonds"), constituted by the Trust Deed dated 2nd May 1996 made between the KEPPEL FELS LIMITED (the "Company") and BT Trustees (Hong Kong) Limited (the "Trustee") as trustee for the Bondholders, will be held by the Company at the New Conference Room, 325 Telok Blangah Road, Singapore 098831 on 30 April 1999 at 11.30 a.m. (Singapore time) for the purpose of considering and, if thought fit, passing (with or without amendments) the following Extraordinary Resolution:

EXTRAORDINARY RESOLUTION

That this meeting of the Bondholders hereby, subject to the Scheme of Arrangement dated 30 March 1999 (the "Scheme"), a copy of which is appended to the Circular to Bondholders dated 30 March 1999 issued by the Company) proposed to be made pursuant to Section 210 of the Companies Act (Chapter 50) of Singapore (the "Act") between (1) the Company, (2) the shareholders of the Company, (3) Keppel Integrated Engineering Limited ("KIE"), (4) the shareholders of KIE and (5) Keppel FELS Energy & Infrastructure Ltd ("Newco") taking effect in accordance with the Act, approves the exchange of the KFL Bonds for the US\$120,000,000 principal amount of 1.5 per cent. unsecured convertible bonds due 2001 to be issued by Newco ("Newco Bonds"), such exchange to take effect on the date on which the Scheme takes effect or such later date as the Trustee and the Company may agree ("Effective Date") whereupon all the KFL Bonds will be cancelled in consideration for the issue of the Newco Bonds of an equivalent aggregate principal amount to the Bondholders as at the Effective Date; and authorises the Trustee to execute all documents, notices, forms, instruments, consents or agreements to give effect to this Extraordinary Resolution on such terms and conditions as the Trustee may in its absolute discretion decide (including the Trust Deed, the Paying Agency Agreement and the Conversion Agency Agreement in relation to the Newco Bonds in the form of the drafts produced to this Bondholders' Meeting and for the purposes of identification signed by the Chairman of such meeting with such amendments (if any) to them as the Trustee shall require) and to concur in and do all acts and things as the Trustee may consider necessary or expedient to give effect to this Extraordinary Resolution.

By Order of the Board

Chan Chee Hong
SECRETARY

Singapore, 30 March 1999

Note:

(1) In accordance with its normal practice, the Trustee expresses no opinion on the merits of the above proposal but has mentioned it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.

(2) Any Bondholder entitled to attend and vote at the Bondholders' Meeting is entitled to deposit any principal amount of KFL Bonds with Keppel TatLee Bank Limited (the "Paying Agent"), for the purpose of obtaining a Voting Certificate or appointing proxies (who need not be Bondholders) as described in the Circular to Bondholders dated 30 March 1999 issued by the Company. Any Bondholder may obtain a copy of the said Circular from the Paying Agent at 10 Hoe Chiang Road #06-01, Keppel Towers, Singapore 069115 during normal office hours before the Bondholders' Meeting. The KFL Bonds to be deposited by a Bondholder for the above-mentioned purpose must be duly deposited at the office of the Paying Agent at 10 Hoe Chiang Road #06-01, Keppel Towers, Singapore 069115 not later than 48 hours before the time appointed for the holding of the Bondholders' Meeting.

EUROTUNNEL P.L.C.

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334 192 408 RCS Paris

NOTICES OF GENERAL MEETINGS

These notices are to holders of Units in bearer form and, for information only, to holders of bearer Warrants.

Notice is hereby given that the Combined General Meeting of Eurotunnel S.A. will be held at the Centre de Conférences Etoile Saint-Honoré, 21-25 rue Balzac, 75008 Paris on 27 April 1999 at 9.30 am (local time) and in the likely event that a quorum is not obtained, the adjourned meeting will be held at la Maison de la Chimie, 28 bis rue Saint-Dominique, 75007 Paris on 6 May 1999 at 3 pm (local time). The Annual General Meeting of Eurotunnel P.L.C. will be held on the 6 May, at the same place in Paris, at 3 pm (local time) or as soon as the Combined General Meeting of Eurotunnel S.A. shall have ended or have been adjourned, to consider and vote on the following agendas:

EUROTUNNEL P.L.C.

Ordinary Resolution N°

- To receive the Directors' Report and the audited accounts for the year ended 31 December 1998.
- To re-appoint Mr Roy Chapman as a Director
- To re-appoint Mr Chris Green as a Director
- To re-appoint Mr Philippe Lagayette as a Director
- To re-appoint Mr Robert Mulpas as a Director
- To re-appoint the Company's existing Auditors
- To amend the maximum aggregate annual sum that may be paid in respect of fees to non-executive Directors

Special Resolution N°

- To authorise the adoption of new share option schemes and of the Share Save scheme, and the grant of options under these schemes
- To authorise the Directors in all the relevant number of ordinary shares arising from the early redemption of Equity Notes under the terms of the early redemption Offer
- To authorise the disapplication of statutory pre-emption rights in relation to those allotments
- To authorise the Directors to allot up to a maximum of 250 million ordinary shares subject to statutory pre-emption rights
- To authorise, in limited circumstances, the disapplication of statutory pre-emption rights in relation to allotments in connection with a rights issue

EUROTUNNEL S.A.

Ordinary Resolution N°

- To review and approve the annual accounts for the year ended 31 December 1998 and to grant a discharge to the Directors and Auditors

- To make an appropriation to profit and loss
- To approve the contracts laid in the Special Report of the Auditor drawn up in accordance with article 103 and subsequent articles of the Law of 24 July 1968 on commercial companies
- To re-elect as a Director Mr K. Edelman
- To re-elect as a Director Mr C. Green
- To re-elect as a Director Mr P. Lagayette
- To re-elect as a Director Mr C. Peruccelli
- To take note of the retirement of Mr M. Le Mare as a Director
- To amend the maximum aggregate annual sum to be paid in respect of fees to Directors

Special Resolution N°

- To authorise the conversion of the share capital into euros, rounding the nominal share value and the subsequent capital reduction
- To authorise the grant of share options to executive Directors and employees of the Eurotunnel Group
- To authorise the Directors to grant share options for the implementation of a Share Save scheme for the benefit of executive Directors and employees of the UK companies within the Group
- To authorise the Directors in proceed with the early redemption of Equity Notes issued by Franco-Manche S.A. into Eurotunnel S.A. shares
- To authorise the Directors to increase the share capital by FRF 250 million on a pre-emption basis
- Delegation of powers for the completion of formalities

INSTRUCTIONS FOR ATTENDANCE AND VOTING FOR HOLDERS OF BEARER UNITS

If you intend to attend the meetings in person or to vote by post or by proxy, you must immobilise your Units at least five days before the meetings by notifying the bank or other institution through which your Units are held of your intention to attend and/or vote.

If you intend to attend the meetings in person, when you immobilise your Units, you should request an Admission Card through the bank or other institution through which your Units are held. If requested in sufficient time, you should receive an Admission Card before the meetings, in which case please bring it with you. If you do not receive your Admission Card, you may still attend the meetings provided that your Units are immobilised and you bring with you suitable evidence of your identity and of the immobilisation of your Units.

If you do not intend to attend the meetings in person, you may exercise your voting rights by using the combined proxy form and postal voting form. Copies of proxy and postal voting form and other documents including the full text of the resolutions to be put to the meetings, and sent to registered immobilisers in connection with the meetings may be obtained from:

English language - (by post) Computershare Services PLC, PO Box 82, Gorton House, Redcliffe Way, Bristol BS99 7NH England - (available for collection), Citibank, 111 Wall Street, New York, New York 10043, USA, Embankment Communications, Northampton 15, PO Box 16067, Stockholm 10332, Sweden.
French language - (by post) Credit Agricole Industrie, Service des Titres, 9 Quai du Président Paul Doumer, 92020 Paris La Defense Cedex, Générale de Banque, Montaigne du Parc, 1000 Brussels, Belgium

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CONTRACTS & TENDERS

STATE OWNERSHIP FUND
ADVERTISING RELEASE FOR SALE OF SHARES BY DIRECT NEGOTIATION

The STATE OWNERSHIP FUND, a Romanian public institution based in 8 Stavropoleos Street, 3 sector, Bucharest, Direct Selling - Metalurgy Chemistry Division is offering for sale by direct negotiation according to the Government Emergency Ordinance no. 88/1997 approved by Law no. 44/1998 and Government Decision no. 55/1998, modified and completed with Government Decision no. 981/1998, a stake of 69,998% respectively a number of 2,337,817 shares from the trading company LAMINORUL S.A., headquarters in BRAILA, 2-Industria Sarmet, Braila District, fiscal code: R 2268948, registration number at the Commercial Register Office: J 09482/1991 having:

- Main scope of activity: Manufacturing and trading of hot laminated profiles, reinforcing bars, dead-drawn wire and drawn bars, pins, chains, picklocks, metallurgical repairs, housekeeping use objects, wood confections and metallic ones.
 - Share capital (according to the last registration at the Commercial Register in 30.05.1997): 83,494,675 thousand ROL
 - Turnover (1998): 239,396,082 thousand ROL
 - Loss (1998): 8,905,189 thousand ROL
 - Shareholders structure is as follows:
- | Shareholder | No. of shares | % |
|---|---------------|---------|
| State Ownership Fund | 2,337,817 | 69.998 |
| Financial Investment Company Moldova | 236,716 | 7.177 |
| Share owners through mass privatisation | 199,909 | 5.987 |
| Manager | 35 | 0.001 |
| P.A.S. Shareholders | 243,985 | 7.304 |
| Public Offer Shareholders | 318,325 | 9.513 |
| TOTAL | 3,339,787 | 100.000 |

The nominal value of each share is 25,000 ROL.
The selling offer price is of 37,787 ROL/share and the value for shares stake offered for sale is of 88,292,334,639 ROL.

The Company's PRESENTATION FILE can be obtained daily from Portfolio Offers Division of State Ownership Fund Bucharest, 6 Stavropoleos St., Tel. 04-01/303.63.35; 303.63.47, Fax: 04-01/315.59.37, ground floor, between 8.00 and 18.00 hrs., until one day before the deadline for offers submission, inclusively.

The selling price of the PRESENTATION FILE is 40,000,000 ROL and may be paid in account no. 251.100.980.900.224 opened with Romanian Bank for Development - Bucharest Branch (BRD-SMB). The PRESENTATION FILE is sold based on the following documents:

- The payment order for the PRESENTATION FILE
- Identity card or passport (for the case of natural Romanian/foreign persons).
- Power of attorney from the bidding trading company.

In order to participate in the negotiations it is compulsory to buy the PRESENTATION FILE. Participation guarantee of 882,923,346 ROL may be paid at Romanian Bank for Development - Bucharest Branch (BRD-SMB) in account no. 251.100.980.900.313.

For natural/legal foreign persons payment of PRESENTATION FILE and participation guarantee shall be made in the account for convertible foreign currency open with the Romanian Bank for Foreign Trade (BANCOREX) account no. 251.100.000.002.423.000.08 in USD, at exchange rate transmitted by NATIONAL ROMANIAN BANK on the date the payments made.

In order to participate in the negotiations, bidder shall submit the documents stipulated in Government Decision no. 55/1998, article 27, stipulated in Section C of PRESENTATION FILE and THE BID, including the business plan, in sealed envelopes, at Portfolio Offers Division, to the deadline date of 14th May 1999, 10:00 hrs. local time. The opening of the bids will take place on the same day (14th May 1999) at 12:00 hrs local time in the presence of the bidders.

Natural/legal foreign persons may make the payment for the SALE-PURCHASE contract in convertible foreign currency at the exchange rate transmitted by NATIONAL ROMANIAN BANK on the date of signing of the Protocol for concluding the direct negotiation. Bidders may instruct the bank where they hold their main account and which is corresponding with a Romanian bank, to release a bank guarantee letter valid for 180 days from bid submission date.

Other information regarding trading company may be obtained at tel.: 040-01-314.57.85, fax: 010-01-310.17.40, Ms. Ruxandra Jianu.

Additional information regarding S.O.F.'s offer may be obtained on INTERNET site at the address www.sof.ro.

BUSINESSES FOR SALE

THE MINISTER OF STATE TREASURY OF THE POLISH REPUBLIC
HEREBY EXTENDS AN INVITATION TO NEGOTIATE

the acquisition of shares in a joint-stock company

"Elektrociepłownia Warszawskie" Spółka Akcyjna
(Warsaw Combined Heat and Power Plants Joint-Stock Company)
having its registered office in Warsaw, Poland

The Minister of State Treasury having the registered office in Warsaw, Krucza St. 36 / Wspólna St. 6, 00-522 Warsaw, acting on behalf of the State Treasury pursuant to Art. 33(1) of the act of 30th August, 1996 on commercialisation and privatisation of state-owned enterprises (Journal of Acts No. 118, item 561, as subsequently amended) hereby invites all interested Parties to negotiate the acquisition of not fewer than 2,063,000 ordinary registered shares per purchaser with the nominal value of PLN 10.00 each, representing not less than ten (10) percent of the share capital of a joint-stock company "Elektrociepłownia Warszawskie" Spółka Akcyjna having its registered office in Warsaw, Poland, Modlińska St. 15, 03-216 Warsaw, hereinafter referred to as "Elektrociepłownia Warszawskie" S.A. or "the Company".

Pursuant to Art. 36 of the act of 30th August, 1996 on commercialisation and privatisation of state-owned enterprises (Journal of Acts No. 118, item 561, as subsequently amended), the eligible employees have the right to acquire fifteen (15) percent of the Company's shares free of charge.

Pursuant to Resolution of the Council of Ministers No. 86 of 4th October, 1993 on the establishment of a reserve for re-privatisation purposes (M.P. No. 52, item 482, as subsequently amended), five (5) percent of the shares are retained by the State Treasury for re-privatisation purposes.

The business of "Elektrociepłownia Warszawskie" S.A. includes primarily the generation of heat and electricity to meet the needs of the national economy and the general public and the operation of the power engineering machinery and equipment owned.

Having informed "Polish Institute of Management" Sp. z o.o. (PIM) - the advisor to the Minister of State Treasury under the project of privatisation of "Elektrociepłownia Warszawskie" S.A. - of their intention to participate in the process, interested Parties shall receive the basic information on the Company and, following the presentation of current corporate documents and the execution by duly authorised representatives of the Potential Investor of a confidentiality clause, the Information Memorandum of "Elektrociepłownia Warszawskie" S.A. containing information on the legal, economic and financial position of the Company, process of offering shares as well as the structure of replies to the publicly announced invitation to negotiations.

Address: "Polish Institute of Management" Sp. z o.o. (PIM)
02-691 Warsaw, Obrazna St. 3, IX floor
Phone no. (48 22) 647 02 40; 843 66 51; Facsimile no. (48 22) 843 87 30

Persons responsible for registration of applicants: Mr Marcin Trych and Ms Elżbieta Naumienko.

In particular, the price of shares, development and restructuring programme proposed by the Potential Investor including inter alia a commitment to increase the Company capital, equity investment commitments, environmental commitments, obligation to protect the interest of the workforce and other stakeholders as well as the manner of securing these commitments shall constitute the object of the negotiations to be undertaken.

The deadline for submission of replies to the publicly announced invitation to negotiate the acquisition of a shareholding in "Elektrociepłownia Warszawskie" S.A. representing not less than ten (10) percent of the share capital per purchaser is 2.00 p.m. Warsaw time on May 14th, 1999. The replies of Potential Investors shall be prepared in the Polish language on the A4 paper. They shall be submitted in duplicate in sealed envelopes, to the office of the Ministry of State Treasury, Krucza St. 36 / Wspólna St. 6, 00-522 Warsaw, sixth floor, Departament Nadzoru i Prywatyzacji II, room no. 631. The envelope shall bear a notice saying: "Odpowiedź na publiczne zaproszenie do rokowań w sprawie zakupu pakietu akcji 'Elektrociepłowni Warszawskiej' S.A. Nie otwierać" and information facilitating the identification of the Potential Investor.

The Minister of State Treasury reserves the right to request additional information from Potential Investors who have submitted their replies to the publicly announced invitation to negotiations.

By May 31st, 1999, the Minister of State Treasury shall inform individually by registered mail each of the Potential Investors who have submitted replies to the publicly announced invitation to negotiations on the outcome of the processing of replies to the public invitation to negotiations.

The Minister of State Treasury reserves the right to finally select the Potential Investors to whom the invitation to take part in the negotiations will be extended, to cancel the negotiations without disclosing the reasons and to extend the period for submission of replies to the public invitation to negotiations.

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LEGAL NOTICE

IN THE MATTER OF
WASTE MANAGEMENT INTERNATIONAL PLC
(IN MEMBERS' VOLUNTARY LIQUIDATION)

(A company incorporated and existing under the laws of England and Wales) AND IN THE MATTER OF THE INSOLVENCY ACT 1986

(A notice under the Act of England and Wales providing for, amongst other things, the winding up of a company)

NOTICE IS HEREBY GIVEN that the last date for proving debts against the above-named company, which is being voluntarily wound up, is the 12th day of May 1999. Claims must be sent by this date to the undersigned, Robert O'Connell of Grant Thornton, Grant Thornton House, Melton Street, Easton Square, London NW1 2EP, the liquidator of the company.

Note: This notice is purely formal and the directors believe that all known creditors have been, or will be, paid in full. This notice relates only to Waste Management International plc (in members' voluntary liquidation). It does not relate to any other companies (whether associated with similar names, which are not subject to the above proceedings). DATED this 31st day of March 1999
ROBERT O'CONNELL, Liquidator

GILLEADE & ASHWORTH LIMITED

J WALSH (FOOTWEAR) LIMITED

AZUNA LIMITED

GEORGE BANKS MANAGEMENT SERVICES LIMITED

ALL IN ADMINISTRATIVE RECEIVERSHIP
FOOTWEAR MANUFACTURER

The Joint Administrative Receivers, Steven Pearson and Ian Powell, offer for sale the business and assets of this Lancashire based footwear business.

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- established material merchant and converter for the footwear industry
- slipper manufacturing facility with capacity for up to 12,000 pairs per week
- manufacturing operations and head office functions based in freehold premises in Haslingden and Blackburn, Lancashire
- experienced workforce of 60 employees
- annual turnover of c£8m
- established customer base

For further information, please contact Steven Pearson or Sarah Bell of PricewaterhouseCoopers, PricewaterhouseCoopers, 101 Barbican Square, Lower Mosley Street, Manchester, M2 3PW. Tel: 0161 245 2000. Fax: 0161 245 2905.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Corn Poppers Ltd

(In Receivership)

Wednesbury, West Midlands

Compoppers specialises in the manufacture and distribution of popcorn and fun food and concession machines.

- Annual turnover circa £2m
- Blue chip customer base
- Own label supplier to major supermarkets and own brand supplier to themed leisure parks
- Skilled workforce of 20.

For further details contact the Joint Administrative Receivers: Andrew Menzies and Roy Welsby, Grant Thornton, Enterprise House, 115 Edmund Street, Birmingham B3 2HU. Tel: 0121 212 4000 Fax: 0121 233 9857.

Grant Thornton

The UK member firm of Grant Thornton International

Aberdonian vaults Hadrian's Wall using Israeli technology

Atlantic Telecom hopes to repeat in England the success that its fixed access radio has brought it in Scotland, writes Alan Cane

Atlantic Telecom, the Aberdeen-based communications group, has put in place the final element of its Scottish service by launching in Edinburgh – and is now about to march south.

Atlantic's Scottish networks, covering Edinburgh, Glasgow, Aberdeen and Dundee, are expected to be complete by the end of this year using £150m raised by a combination of debt and equity. So far, it has attracted 20,000 customers north of the border, a success that has encouraged it to look to England.

In February, the Radio Communications Agency, the government body with national responsibility for the radio spectrum, agreed in principle to award Atlantic five regional licences to provide services in England. The first will come into effect shortly.

The areas covered are the north west, centred on Manchester and Liverpool, the north east around Newcastle, the Midlands, London, and the west of England around Bristol.

Graham Duncan, executive chairman, says Atlantic is now considering ways to finance new building programmes, with debt at

the top of the list.

If, however, it builds in England it will simply be one of many operators competing for the telecoms shilling. So how does it intend to differentiate itself from rivals in a market which is already fiercely competitive, and where prices are close to rock bottom?

First, Atlantic's services are based on fixed access radio, direct wireless communication between the home or office and a base station.

This is the same principle – but not the same technology – as that promoted by Ionica, the ill-fated East Anglian company now in receivership.

Ionica suffered from marketing misjudgments and technological mishaps, missed its subscriber targets and finally had its financial lifeline cut by its bankers. So why should Atlantic fare better?

Mr Duncan responds that Atlantic's technology, provided by Tadiran, an Israeli company, is proven.

"It has come through three Scottish winters with flying colours," he says. "We have had 100 per cent availability."

Further, Atlantic operates

in cities – it is, in US terminology, a competitive local exchange carrier. It seeks as customers small and medium-sized business and residential subscribers who spend more than average on telephone calls.

Mr Duncan argues, however, that Atlantic sells service, not technology, and the key is packaging high-value-added services attractively.

Atlantic's business plan calls for 10 per cent penetration within 10 years. According to BT Alex Brown, the broker, this could be conservative. "In the 23 months since launching in Glasgow," it said in a strongly positive buy note, "penetration of homes passed has reached 3.62 per cent – well ahead of expectations."

Where fixed radio access is not yet possible or is inappropriate, the group has other options. Crest is an indirect service – customers receive a black box through the post which, when plugged into the British Telecommunications line, directs all calls via Atlantic.

Logically, a call-management brokerage business aimed at businesses, buys transmission capacity in the wholesale market, bundles calls from a variety of customers together and delivers



them via the cheapest route. Customers include Clarks Shoes and Prudential.

Atlantic is also testing a high-speed wireless technology from another Israeli company, RDC. It is said to be 25 times quicker than ISDN, the fastest method of

accessing the internet available commercially, and could be on offer by the end of the year.

Atlantic has shed its former identity as a cable television company that owned franchises across the UK, and was last week redefined

by the London Stock Exchange as a telecommunications share.

But invading the English heartlands will test its capacity to shake off the ghost of Ionica and establish fixed radio access as a credible technology.

COMMENT

UK corporation tax

If paying UK corporation tax were like tennis, it would be a game set and match to the Labour government. The year starts today with a headline one percentage point reduction in corporation tax. But taken with the acceleration of tax payments, which will effectively mean five years' tax being paid over four years, financing costs eat away most of the cut. The Inland Revenue estimates that the benefit to the government of moving to quarterly instalments will be £5bn-£6bn (\$8bn-\$9.5bn) between now and 2002.

In theory this could be offset by allowing companies to claim back the £7bn they overpaid in tax under the system of advance corporation tax – related to dividend payments – which is now being abolished. But because there are severe restrictions on the franchise of tax against which this overpayment can be offset, much of it may be lost.

So how can UK companies bite back? By continuing the switch from equity to debt, for instance via the growing tally of cash returns to shareholders. Take the case of a company switching from no debt to an amount sufficient to reduce its interest cover to five times. On static operating profits, its tax bill falls by a fifth. Of course, so do its after-tax profits and hence its dividend paying capacity. But now that the hordes of tax exempt institutions can no longer claim a tax credit on dividends, this income stream has lost an important advantage. The loss of preferential tax treatment for equities needs to be set alongside changes in pension accounting. Disclosure of the risks of equity investment is now high on the agenda both for pension funds – under the minimum funding requirement – and for companies with defined benefits schemes. Such institutions have already responded by switching into UK government bonds, pushing up prices. It also makes sense for them to buy interest-bearing bonds from companies. This way, companies and tax exempt funds can share debt's tax shelter – as they used to do with dividends.

This will eventually change the investment landscape. At present institutions being paid dividends – out of post-tax profits – line up with the government in wanting high pre-tax profits. If those institutions switch to interest income – paid out of operating profits – the Inland Revenue falls behind in the queue. What price a revival of advance, or even the imposition of a minimum, corporation tax when that trend really takes hold?

Annual General Meeting of AB Volvo (publ)

Shareholders in AB Volvo are hereby invited to attend the Annual General Meeting in Göteborg, Lisebergshallen, entrance from Örgrytevägen, Wednesday, April 28, 1999, at 2:00 p.m.

1. Opening of the Meeting
2. Election of Chairman of the Meeting
3. Preparation and approval of the list of shareholders entitled to vote at the Meeting
4. Approval of the agenda
5. Election of minutes-checkers and voting register checkers
6. Determination of whether the Meeting has been duly convened
7. Presentation of the financial statements for the year and the auditors' report
8. Adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet
9. Motion on disposition to be made of the Company's profits or losses as shown in the Balance Sheet adopted by the Meeting
10. Motion on discharge of the Board of Directors and of the President from liability for the fiscal year
11. Determination of the number of Board members and deputy members to be elected by the Meeting
12. Determination of the number of auditors and deputy auditors to be elected by the Meeting
13. Determination of the fees to be paid to the Board of Directors
14. Determination of the fees to be paid to the auditors
15. Election of the Board of Directors
16. The Board of Directors' proposal to make amendments in the Articles of Association
17. Election of auditors and deputy auditors
18. Election of members of the Nominating Committee
19. The Board of Directors' proposal of a SEK 10 million grant to a research foundation

Motions

Point 9. The Board of Directors proposes that the dividend shall be paid in cash in the amount of SEK 6.00 per share.

May 3, 1999 is proposed as the record date to receive the cash dividend. Payment of the cash dividend is expected to occur through VPC (Swedish Register Securities Center) on May 10, 1999.

Point 11. The Nominating Committee elected at the 1998 Annual General Meeting proposes 7 members and no deputy members.

Point 12. The Nominating Committee proposes two auditors and two deputy auditors.

Point 13. The Nominating Committee proposes a fixed fee of SEK 2,475,000 to be distributed among the members in accordance with the decision of the Board.

Point 14. The Nominating Committee proposes fees based on invoices for the examination of the accounts, management and audit of the consolidated financial statements.

Point 15. The Nominating Committee proposes re-election of Per-Olof Eriksson, Sören Gyll, Tom Hedelius, Leif Johansson, Finn Johnson, Sören Mannheimer and Lars Ramqvist. Håkan Frisvåg has declined re-election.

Point 16. Effective January 1, 1999 certain changes in the Swedish Companies Act were implemented. As a consequence thereof the Board of Directors proposes that §§8-11 and 12 (concerning sub-clauses 3, 11 and 12) in the Articles of Association be as follows.

New wording §8

§8. The Company shall have not less than two and not more than three Auditors with not less than two and not more than three Deputy Auditors.

New wording §9

§9. Convocation to a General Meeting and other notices to shareholders are to be issued in the form of announcements in the Official Swedish Gazette and Dagens Nyheter, or if Dagens Nyheter is not to be published at the time of the announcement, in another national daily newspaper. In addition thereto announcements shall be made in a daily newspaper in Göteborg and a daily newspaper in Malmö.

New wording §10

§10. The General Meeting is to be held at one of the following places, pursuant to decision by the Board: Göteborg, Malmö or Stockholm.

Any shareholder wishing to participate in the proceedings of a General Meeting is to inform the Company of this not later than 12:00 noon on the day specified in the convocation to the General Meeting. This day may not be a Sunday, nor may it be any other general holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve, nor may it be earlier than the fifth weekday before the General Meeting.

A shareholder may be accompanied by one or two assistants when attending a General Meeting, but only if the shareholder's registration pursuant to the previous paragraph includes information to that effect.

Since the Company is registered with the Swedish Securities Register Centre (VPC), the right to participate in a General Meeting is held by those noted as shareholders in the copy of the share register referred to in Chapter 3, paragraph 13, section 2 of the Swedish Companies Act and relating to the circumstances prevailing ten days before the General Meeting.

New wording §11

§11. The General Meeting is to be opened by the Chairman of the Board or by a person appointed by the Board.

In any voting held at the General Meeting, each person entitled to vote may exercise that right for the full number of shares represented by him or her.

Amendments in §12

It is proposed that a new sub-clause is added:

3. Approval of the agenda.

The following sub-clauses in this clause 12 are renumbered. The following wording is proposed for sub-clauses 11 and 12 (formerly 10 and 11):

11. The determination of remuneration to the Board and, where relevant, the Auditors.
12. The election of the Board and, where relevant, the Auditors and Deputy Auditors.

Point 17. The Nominating Committee proposes re-election of Authorized Public Accountants Olof Herolf and Olof Karlsson as auditors, with Authorized Public Accountants Olof Enerbäck and Klas Brand as deputy auditors. The Committee proposes that the persons referred to are appointed for a period of four years.

The Nominating Committee's proposals, as presented in the items above, have the support of shareholders representing more than 45% of the votes and more than 30% of the share capital in AB Volvo.

Right to participate in the Meeting

Participation in Volvo's Annual General Meeting is limited to shareholders who are recorded in the share register on April 16, 1999 and who advise Volvo not later than 12:00 noon (Swedish local time) on April 23, 1999 of their intention to participate.

Share registration

Volvo's share register is maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Center). Only owner-registered shares are listed in the names of the shareholders in the share register. To be entitled to participate in the Annual General Meeting, owners of shares registered in the name of a trustee must have the shares registered in their own names.

Shareholders who have trustee-registered shares should request the bank or broker holding the shares to request owner-registration, so-called voting-right registration, several banking days prior to April 16, 1999. Trustees normally charge a fee for this.

Notice to Volvo

Notice of intention to participate in the Meeting may be given

- by telephone to +46 31 59 60 00
- or in writing to:
AB Volvo (publ)
Legal Department
SE-405 08 Göteborg, Sweden

In providing such notice, the shareholder should state

- name
- personal registration number (where applicable)
- address and telephone number

Shareholders who desire to participate in the Meeting, must submit notice prior to expiration of the notice period, not later than Friday, April 23, 1999, 12:00 noon (Swedish local time)

VOLVO

Grafton close to £13m UK deal

By Charles Proffitt

Grafton Group, the Irish builders' merchant group, is close to buying a private builders' merchant company in the UK for about £13m. It is understood to have held advanced talks with Niall Bailey, a builders' merchant with six branches near Birmingham.

The acquisition would increase Grafton's presence in the Midlands, where it has about 30 builders' and plumbers' merchants trading

as Buildbase and Finnbase.

Analysts believe such a purchase would enhance Grafton's earnings. Niall Bailey made profits of £3.2m last year.

The acquisition would mark Grafton's latest attempt to strengthen its UK presence. The group has a listing on the Dublin stock exchange and a secondary listing in London.

Last Thursday, it said it had raised its stake in Helton Holdings, an Irish rival, to 7.59 per cent.

NEWS DIGEST

NEW ISSUES

Investors shun smaller company flotations

Smaller companies are increasingly being shunned by investors, according to KPMG, the professional services group. Its quarterly survey of the new issues market shows that only 10 companies joined the London Stock Exchange in the first three months this year – the quietest quarter for 10 years. Of the 10, six were investment trusts, while of the four trading companies three were in information technology.

The tenth and biggest was South African Breweries, which raised £300m of the total £714m raised in the market. This compares with £173m raised in the final quarter of 1998, when 15 new companies were listed. "The gloom surrounding the new issues market shows no signs of lifting, with the numbers looking to join the market at historically low levels," said Neil Austin, of KPMG Corporate Finance. "The aborted William Hill float, while possibly not typical because of the particular circumstances surrounding the sale, was indicative that valuations are still not always meeting companies' and advisers' expectations."

Small and medium-sized companies were being locked out by investor preoccupation with large stocks. Pressure was growing on companies to sell out to competitors or to venture capital firms.

At the same time venture capital firms were finding it more difficult to exit from investments through flotations. KPMG warned that on current trends, the number of companies joining the stock exchange this year would fall below the already depressed level of 69 last year, which was one of the worst on record.

David Blackwell

LIFE ASSURANCE

Pru chief in 5% rise

The remuneration of Sir Peter Davis, chief executive of Prudential Corporation, the UK's largest life insurer, rose 5 per cent last year to £589,000. However, during 1998 Sir Peter was also awarded 90,266 shares in Prudential – currently worth £715,000 – under the group's 1995 long-term incentive plan for the three-year period to December 1997. The shares are held in trust and will not be released until April next year.

Sir Peter was conditionally awarded a further 78,417 shares for the group's performance in the three years to last December. At January 1, Sir Peter had conditional awards outstanding for 307,234 shares, which would have a current value of £2.4m.

Andrew Bolger

LEISURE

Waterfall to decide on bid

Waterfall Holdings, the leisure group, will decide by Wednesday evening whether to make a formal offer for its rival, European Leisure. The deadline has been set by the Irish takeover panel because European has a stock market listing in Dublin as well as London.

Last month Waterfall made an indicative all-share offer to European, but the move was rebuffed. Waterfall claimed its proposal valued European at over 100p a share, a premium of more than 20 per cent to the takeover bid which European had already agreed to from Allied Leisure, another small leisure group.

Waterfall also said its deal would give European's shareholders a greater proportion of the enlarged group than they would receive under the deal with Allied.

Charles Proffitt

EURO PRICES

EQUITIES

Europe's investors look for more cheer

EUROPEAN OVERVIEW

By Vincent Boland

Investors in European shares are hoping the next three months will bring a little more cheer than the quarter just ended.

Despite starting in a blaze of glory with the launch of the euro and a burst of mergers and acquisitions activity, bourses are looking

a little jaded, observers agree, even without the potential of the war in the former Yugoslavia to cause further damage in the next few weeks.

The FTSE Eurotop 300 index of Europe's leading stocks rose a modest 6.44 per cent in the first quarter of 1999 to 1,268.89 while the FTSE Eurotop 100 index rose 7.2 per cent to 2,920.06.

The FTSE Ebioc index of

shares in euro-zone countries gained 3.32 per cent to 1,081.48.

These performances pale in comparison with the Dow Jones Industrial Average, which broke through the 10,000 barrier last week before retreating a little. And they are compounded by the weakness of the euro - a trend not predicted when it was launched - which fell 8 per cent against the US

dollar in the first three months of its existence.

Part of the explanation for the trend in European markets has been a sharp reversal in the recent fortunes of the sectors - pharmaceuticals, telecommunications, and media - that led an early surge in performance. Telecoms, especially, have been knocked off their perch by the energy sector, which outperformed in March by 15

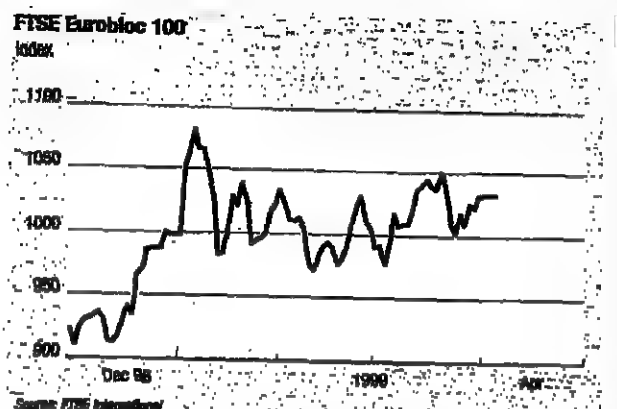
per cent, according to Salomon Smith Barney.

Mark Howdle, European market strategist at Salomon, attributes the reversal to rising bond yields, which are bad news for growth sectors.

If the remarkable rate of growth of the US economy continues, oil prices keep rising and the Kosovo conflict escalates, bond market yields will rise further, he says.

"This should be a serious concern for equity investors, since current high valuation multiples are closely linked to exceptionally low bond yields," Mr Howdle writes in his April commentary on eurozone markets.

"Since we believe that bond market movements explain the recent sell-off in growth stocks, we suspect that further rises in bond yields could produce more of the same reaction."



Source: FTSE International

FTSE Actuaries Share Indices

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COMMODITIES & AGRICULTURE

EXPORTS INDICES FALL IN RESPONSE TO REDUCTION IN CONTRACT PRICES OF COAL AND IRON ORE

Australian dollar shrugs off commodity price cuts

By Stephen Wyllie in Sydney

The Australian dollar remains unperturbed by the recent reduction in the contract prices of coal and iron ore and the accompanying fall in Australian commodity price indices.

This is because lower coal and iron ore prices had already been discounted by currency traders, and most traders follow the CRB index of commodity prices rather than Australian indices.

The Commonwealth Bank's commodity price index expressed in US dollars fell by 3.4 per cent and the Colonial State Bank's index of Australian commodity prices fell by 5.4 per cent in US dollar terms and by 6.5 per cent in Australian dollar terms.

The price cuts of about 18 per cent for coal and 11 per cent for iron ore apply to Australian exports to Japan over the Japanese fiscal year beginning April 1 1999.

Coal is Australia's largest commodity export, forecast by the Australian Bureau of Agricultural and Resource Economics (ABARE) to generate A\$8.06bn (US\$5.1bn) in export income in 1998-2000, and iron ore is its fourth largest, after gold and aluminium.

Iron ore is forecast by ABARE to generate A\$3.74bn in export income in 1998-2000. Because of the prominence of these exports and the sig-

nificant fall in their prices, they have impacted heavily on Australian commodity price indices.

There are a number of such indices - the Reserve Bank commodity price index, Dreesner commodity price index, Commonwealth Bank commodity price index and the Colonial State index.

But some economists suggest there are signs that the coal and iron ore markets may be bottoming out.

"It is too early to suggest a turnaround in commodity markets because of supply overhangs," said Rob Henderson, chief economist with Dreesner Kleinwort Benson, Sydney.

"However, the new story for 1999 is that forecasts of growth are now being revised up, whereas, for 1998, revisions were consistently lower."

"Asia led the downturn in commodity markets when the region went into recession but Consensus Economics forecasts now suggest a turning point for Asia during 1999," said Mr Henderson.

And a pick-up in Asian economic activity would boost the commodity-sensitive Australian dollar.

Despite these early indications of a possible trend change in Australian commodity prices, however, the Australian dollar remains in a 60-65 US cent trading range as most currency traders

still focus on the CRB commodity price index rather than Australian indices.

A number of Australian economists are critical of this currency market fascination with the CRB index.

The CRB index is just a simple average of 17 US commodity futures markets, many irrelevant to Australia, and does not include critical Australian exports such as coal or iron ore or wool.

NALCO recovers majority of output

By Kunal Bose in Bhubaneswar

National Aluminium Company's 218,000 tonne capacity smelter, which started collapsing in April 1998, is almost back to normal production.

The management says poor plant maintenance and staff negligence were as much responsible for the smelter failure as last year's unusually hot summer.

"We have been able to put 405 of the 480 pots in the smelter in the production stream. In normal times NALCO smelts the metal in 235 pots. It will take us another three months to come to that stage," said SN Johri, chairman.

As the smelter was partly operational during 1998-99 NALCO, which owns India's largest aluminium complex, lost over 54,000 tonnes of metal production.

In spite of this, the company exported 40,000 tonnes of aluminium against 55,475 tonnes in the previous year. Mr Johri said NALCO would lift aluminium production to 208,000 tonnes in 1999-2000, up from the record 208,000 tonnes in 1996-97.

As the company is to expand its alumina refinery from 900,000 tonnes to 1,575,000 tonnes as well as increase bauxite mining capacity to 4.8m tonnes by early next year, it will sign long-term contracts with a number of "stand-alone smelters" abroad for supply of alumina.

The company's Rs37.37bn (\$876m) expansion programme includes raising smelter capacity to 345,000 tonnes. "Our objective is to export 33 per cent of metal production following smelter expansion. Since NALCO is one of the lowest cost producers of alumina and aluminium, we are making profits even at today's low prices," said Mr Johri.

Japanese commodity funds ask if their luck can last

Guaranteed returns are one reason investors have come flocking but that may soon change, writes Alexandra Nussbaum

Futures trading was born three centuries ago at a rice market in Osaka, as merchants met to haggle over the price of rice deliveries. But despite this early showing, commodity trading has never inspired ordinary Japanese investors.

Japan is trying to bolster commodity-related activities, however, as deregulation on investment trusts takes place. Over the past 12 months, there has been a surge in sales of commodity funds, so called because over 50 per cent of capital must be invested in a commodity.

With more deregulation expected this year, and Japanese investors' habits changing, the intriguing question is how much further this interest in commodity products can go.

The track record looks startling. In the year to March 1998, new capital flowing into the industry jumped from ¥34.8bn to ¥140.7bn (\$287m to \$1.2bn). In the nine months to December, it slowed to only ¥63.9bn.

However, even the slower pace of growth has increased

new funds from 22 in 1997 to 38 during calendar 1998, pushing the number of funds to 198 with ¥798bn of capital by the end of last year, against ¥349bn in March 1996. The surge is partly the result of deregulation that has eliminated minimum investment requirements and slashed the tax burden on funds sold through Japanese trust banks.

"Lower minimum requirements mean that more people are investing, but they are putting in less money," said Kenji Nakawaki, senior manager in the business planning department at Orix, Japan's largest leasing company.

Another factor attracting investors is that Japanese trust banks have been allowed recently to handle commodity funds for the first time. This privilege used to be restricted to overseas banks based in tax havens, which are often viewed with suspicion by Japanese investors.

Trust banks, by contrast, are household names, says Mr Nakawaki. Orix is now using Yamachi Trust to sell

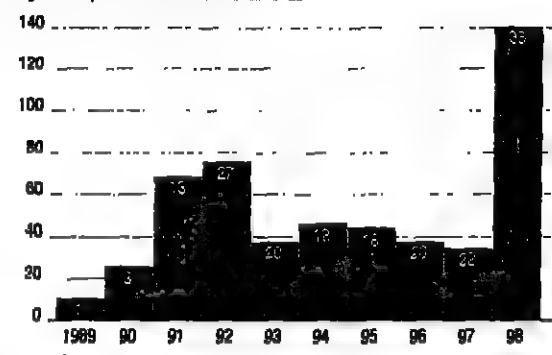
its funds. A further advantage is that commodity funds sold through trust banks carry a 20 per cent tax rate, lower than for offshore banks.

Commodity funds have a third attraction: they allow Japanese investors to take a small risk in a relatively controlled fashion. This is in sharp contrast to the investment alternatives, which either involve a high-risk fund or no risk at all.

The reason is that the commodity funds spread their investments across a range of sectors. Orix, the leading commodity fund manager with 28 per cent market share, for example, invests at least 50 per cent in gold futures to meet the mandatory commodity investment and guarantee a minimum return. But the remaining capital is structured to meet investors' risk and return objectives.

"Explaining risk to Japanese consumers is far from easy. Orix's 3,000-strong sales force finds the 100,000 executives and 'salarymen' who are their target pool of customers do not always

Commodity funds
New funds in March (¥bn).
Figure at top of bar is total number of funds



realise that achieving returns demands risking capital, according to Mr Nakawaki.

Orix, however, can boast returns as high as 36 per cent since 1994. Furthermore, commodity funds still guarantee a minimum return - unlike their rival investment trusts, which have no such guarantee.

"Investment trusts may not be appealing to some Japanese investors who have been used to protection of principal and fixed returns," said Hirokazu Morimoto, manager in the capital markets division of Bank of Tokyo-Mitsubishi, which has 10 per cent of the market, or ¥60bn of funds.

This type of success has certainly cheered the banks - particularly since sales of investment trusts, which

enjoyed popularity after last year's deregulation, have tapered off.

Less clear is whether the surge can last. In coming months, further deregulation will affect the sector, allowing the commodity funds to invest less than 50 per cent of the capital in commodities. Though this might make the funds more attractive in theory, it could rob them of their key distinction from investment trusts: guaranteed returns.

There are already signs the banks may be trying to focus more on investment trusts than commodity funds, says Mr Nakawaki.

Another official commented: "In the US, the investment trusts are bigger than the commodity funds. Japan will probably follow that pattern."

India expecting a record crop

By Mark Nicholson in New Delhi

India should reap a record crop of essential food-grains this year, up more than 4 per cent from last year's disappointing harvest.

The crop of rice, wheat, pulses and coarse cereals being gathered is expected to total 300.8m tonnes, up from last year's 192.4m tonnes, thanks to good rice and pulse harvests, according to agriculture ministry estimates.

The estimates outstrip earlier finance ministry projections and could push estimates of India's overall gross domestic product growth rate this year above 5.8 per cent - a figure already underpinned by a stronger agricultural performance.

"The ministry believes the rice, or winter crop, being harvested between now and May will post record rice and pulse production, with commercial crops including sugar cane and oil-seeds also showing gains.

Combined kharif, or summer crops, and rabi crops are estimated to show a record 84.5m-tonne rice crop, up 2.6 per cent on a year earlier, with pulses also likely to show record total

output of 15.2m tonnes, up 16 per cent.

Output of wheat is expected to reach 70.6m tonnes, a 7 per cent rise on a year earlier and also a record.

Likewise, sugar cane production of an estimated 282.7m tonnes, and total oil-seed output of 55.3m tonnes could also set fresh highs.

Though the rise in food-grain production, which provides India's food security in staples, is above 4 per cent this year, independent analysts say this reflects a rebound from last year's poor harvest, which was 3.5 per cent lower than the previous year.

Overall, according to analysts by Investment Research and Information Services (IRIS), an independent economic think-tank, growth rates in output of food staples over the past few years, and into the future, are failing to keep pace with population growth.

IRIS estimates that per capita availability of food-grains slipped in 1998 to its lowest level in recent years, of 200.7kg per person, lower than the 206.4kg per person in 1991, when India embarked on sweeping economic reforms.

US COMMODITY PRICES

IN US DOLLAR (COSTS)

Commodity	Unit	Price	% Chg
Wheat	bu	2.50	+0.10
Barley	bu	1.50	+0.05
Oats	bu	1.20	+0.02
Maize	bu	2.10	+0.08
Soybeans	bu	10.50	+0.20
Beans	bu	4.50	+0.10
Peas	bu	3.50	+0.05
Lentils	bu	2.50	+0.02
Flour	bu	5.00	+0.10
Sugar	lb	15.00	+0.50
Coffee	lb	1.00	+0.05
Tea	lb	2.00	+0.10
Cocoa	lb	1.50	+0.05
Wool	lb	1.00	+0.02
Alumina	ton	100.00	+2.00
Aluminum	ton	1.50	+0.05
Iron ore	ton	10.00	+0.50
Coal	ton	1.00	+0.05
Natural gas	cu ft	0.50	+0.02
Oil	barrel	20.00	+0.50
Gold	oz	350.00	+5.00
Silver	oz	5.00	+0.10
Copper	lb	1.00	+0.05
Zinc	lb	0.50	+0.02
Nickel	lb	1.00	+0.05
Platinum	oz	1000.00	+10.00
Palladium	oz	500.00	+5.00
Uranium	lb	10.00	+0.50
Lead	lb	0.50	+0.02
Antimony	lb	1.00	+0.05
Mercury	lb	1.00	+0.02
Vanadium	lb	1.00	+0.05
Chromium	lb	1.00	+0.02
Manganese	lb	1.00	+0.05
Iron scrap	ton	1.00	+0.02
Steel	ton	1.00	+0.05

PRECIOUS METALS CONTINUED

IN US DOLLAR (COSTS)

Commodity	Unit	Price	% Chg
Gold	oz	350.00	+5.00
Silver	oz	5.00	+0.10
Copper	lb	1.00	+0.05
Zinc	lb	0.50	+0.02
Nickel	lb	1.00	+0.05
Platinum	oz	1000.00	+10.00
Palladium	oz	500.00	+5.00
Uranium	lb	10.00	+0.50
Lead	lb	0.50	+0.02
Antimony	lb	1.00	+0.05
Mercury	lb	1.00	+0.02
Vanadium	lb	1.00	+0.05
Chromium	lb	1.00	+0.02
Manganese	lb	1.00	+0.05
Iron scrap	ton	1.00	+0.02
Steel	ton	1.00	+0.05

FUTURES DATA

All futures data supplied by CME

Commodity	Unit	Price	% Chg
Wheat	bu	2.50	+0.10
Barley	bu	1.50	+0.05
Oats	bu	1.20	+0.02
Maize	bu	2.10	+0.08
Soybeans	bu	10.50	+0.20
Beans	bu	4.50	+0.10
Peas	bu	3.50	+0.05
Lentils	bu	2.50	+0.02
Flour	bu	5.00	+0.10
Sugar	lb	15.00	+0.50
Coffee	lb	1.00	+0.05
Tea	lb	2.00	+0.10
Cocoa	lb	1.50	+0.05
Wool	lb	1.00	+0.02
Alumina	ton	100.00	+2.00
Aluminum	ton	1.50	+0.05
Iron ore	ton	10.00	+0.50
Coal	ton	1.00	+0.05
Natural gas	cu ft	0.50	+0.02
Oil	barrel	20.00	+0.50
Gold	oz	350.00	+5.00
Silver	oz	5.00	+0.10
Copper	lb	1.00	+0.05
Zinc	lb	0.50	+0.02
Nickel	lb	1.00	+0.05
Platinum	oz	1000.00	+10.00
Palladium	oz	500.00	+5.00
Uranium	lb	10.00	+0.50
Lead	lb	0.50	+0.02
Antimony	lb	1.00	+0.05
Mercury	lb	1.00	+0.02
Vanadium	lb	1.00	+0.05
Chromium	lb	1.00	+0.02
Manganese	lb	1.00	+0.05
Iron scrap	ton	1.00	+0.02
Steel	ton	1.00	+0.05

ENERGY

IN US DOLLAR (COSTS)

Commodity	Unit	Price	% Chg
Oil	barrel	20.00	+0.50
Natural gas	cu ft	0.50	+0.02
Coal	ton	1.00	+0.05
Alumina	ton	100.00	+2.00
Aluminum	ton	1.50	+0.05
Iron ore	ton	10.00	+0.50
Steel	ton	1.00	+0.05

GRAINS AND OIL SEEDS

IN US DOLLAR (COSTS)

Commodity	Unit	Price	% Chg
Wheat	bu	2.50	+0.10
Barley	bu	1.50	+0.05
Oats	bu	1.20	+0.02
Maize	bu	2.10	+0.08
Soybeans	bu	10.50	+0.20
Beans	bu	4.50	+0.10
Peas	bu	3.50	+0.05
Lentils	bu	2.50	+0.02
Flour	bu	5.00	+0.10
Sugar	lb	15.00	+0.50
Coffee	lb	1.00	+0.05
Tea	lb	2.00	+0.10
Cocoa	lb	1.50	+0.05
Wool	lb	1.00	+0.02
Alumina	ton	100.00	+2.00
Aluminum	ton	1.50	+0.05
Iron ore	ton	10.00	+0.50
Coal	ton	1.00	+0.05
Natural gas	cu ft	0.50	+0.02
Oil	barrel	20.00	+0.50
Gold	oz	350.00	+5.00
Silver	oz	5.00	+0.10
Copper	lb	1.00	+0.05
Zinc	lb	0.50	+0.02
Nickel	lb	1.00	+0.05
Platinum	oz	1000.00	+10.00
Palladium	oz	500.00	+5.00
Uranium	lb	10.00	+0.50
Lead	lb	0.50	+0.02
Antimony	lb	1.00	+0.05
Mercury	lb	1.00	+0.02
Vanadium	lb	1.00	+0.05
Chromium	lb	1.00	+0.02
Manganese	lb	1.00	+0.05
Iron scrap	ton	1.00	+0.02
Steel	ton	1.00	+0.05

SOFTS

IN US DOLLAR (COSTS)

Commodity	Unit	Price	% Chg
Wheat	bu	2.50	+0.10
Barley	bu	1.50	+0.05
Oats	bu	1.20	+0.02
Maize	bu	2.10	+0.08
Soybeans	bu	10.50	+0.20
Beans	bu	4.50	+0.10
Peas	bu	3.50	+0.05
Lentils	bu	2.50	+0.02
Flour	bu	5.00	+0.10
Sugar	lb	15.00	+0.50
Coffee	lb	1.00	+0.05
Tea	lb	2.00	+0.10
Cocoa	lb	1.50	+0.05
Wool	lb	1.00	+0.02
Alumina	ton	100.00	+2.00
Aluminum	ton	1.50	+0.05
Iron ore	ton	10.00	+0.50
Coal	ton	1.00	+0.05
Natural gas	cu ft	0.50	+0.02
Oil	barrel	20.00	+0.50
Gold	oz	350.00	+5.00
Silver	oz	5.00	+0.10
Copper	lb	1.00	+0.05
Zinc	lb	0.50	+0.02
Nickel	lb	1.00	+0.05
Platinum	oz	1000.00	+10.00
Palladium	oz	500.00	+5.00
Uranium	lb	10.00	+0.50
Lead	lb	0.50	+0.02
Antimony	lb	1.00	+0.05
Mercury	lb	1.00	+0.02
Vanadium	lb	1.00	+0.05
Chromium	lb	1.00	+0.02
Manganese	lb	1.00	+0.05
Iron scrap	ton	1.00	+0.02
Steel	ton	1.00	+0.05

SOFTS CONTINUED

CURRENCIES & MONEY

No help for yen

By Richard Adams

The US dollar continued to strengthen against the Japanese yen during trading yesterday, despite a more upbeat message from the latest Japanese business survey.

The *Tankan* quarterly diffusion index showed the first rise in Japanese business sentiment since mid-way through 1997.

But the news failed to provide a springboard for the yen to rise against the dollar. Instead the dollar rose above ¥121.5 during trading in Tokyo, after the Bank of Japan said it remained cautious in interpreting the economy-wide survey.

Traders said that volumes were very light in both Tokyo and New York, with London and the European markets closed for the Easter Monday holiday.

The dollar continued to rise later in New York, and briefly touched a one-month high against the yen of ¥122.

The euro was again weaker, which some commentators attributed to wor-

ries over the conflict in Kosovo and the possible need for Nato to commit ground forces. That would likely help the US dollar, thanks to its status as a safe haven currency.

However, others said the Easter closure of the European financial centres meant there was little interest in trading the euro, which drifted around the \$1.07 level against the dollar.

The euro's weakness came amid hope for a long-awaited first interest rate cut from the European Central Bank this month.

But Otmar Issing, the ECB's chief economist, gave the single currency some support when he emphatically rejected suggestions the euro would fall below \$1 against the dollar.

"The most important cause [of the weakness of the euro] is to be seen in the strength of the US dollar," Mr Issing said.

"This, in turn, is based on positive economic data which surprise even the US Federal Reserve."

POUND SPOT FORWARD AGAINST THE POUND

Apr 3	Day's high	Day's low	Change on day	Month's high	Month's low	Day's high	Day's low	Three months' high	Three months' low	One year's high	One year's low
Europe	(B3)	26.5404	+0.0004	26.541	26.539	26.5399	26.5403	26.5409	26.5392	26.5402	26.5382
Belgium	(B3)	26.5403	+0.0003	26.541	26.539	26.5398	26.5402	26.5408	26.5391	26.5401	26.5381
Denmark	(B3)	11.773	+0.0003	11.774	11.771	11.7737	11.7741	11.7747	11.773	11.7742	11.7722
France	(B3)	11.773	+0.0003	11.774	11.771	11.7737	11.7741	11.7747	11.773	11.7742	11.7722
Germany	(B3)	21.7658	+0.0003	21.766	21.763	21.7659	21.7663	21.7669	21.7652	21.7662	21.7642
Greece	(B3)	2.8226	+0.0002	2.823	2.821	2.8225	2.8229	2.8235	2.8218	2.8228	2.8208
Italy	(B3)	488.405	+0.1229	491	485	488.411	488.415	488.421	488.324	488.421	488.324
Japan	(B3)	1.5791	+0.0003	1.5793	1.579	1.5791	1.5795	1.5797	1.579	1.5797	1.5787
Netherlands	(B3)	26.5403	+0.0003	26.541	26.539	26.5399	26.5403	26.5409	26.5392	26.5402	26.5382
Spain	(B3)	2.2211	+0.0004	2.2215	2.2205	2.2211	2.2215	2.2221	2.2204	2.2214	2.2194
Switzerland	(B3)	12.4535	+0.0005	12.454	12.451	12.4535	12.4539	12.4545	12.4528	12.4538	12.4518
West Germany	(B3)	21.7657	+0.0003	21.766	21.763	21.7656	21.766	21.7666	21.7649	21.7659	21.7639
Portugal	(B3)	25.288	+0.0007	25.29	25.285	25.2886	25.289	25.2896	25.2879	25.2889	25.2869
UK	(B3)	1.5791	+0.0003	1.5793	1.579	1.5791	1.5795	1.5797	1.579	1.5797	1.5787
USA	(B3)	2.2389	+0.0123	2.251	2.225	2.2391	2.2395	2.2399	2.2384	2.2394	2.2374
Canada	(B3)	1.4234	+0.0008	1.424	1.421	1.4231	1.4235	1.4241	1.4224	1.4234	1.4214
Japan	(B3)	1.5791	+0.0003	1.5793	1.579	1.5791	1.5795	1.5797	1.579	1.5797	1.5787

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

Share	Price	%
BAE Systems	12.50	0.00
BAE Systems PLC	12.50	0.00
BAE Systems PLC	12.50	0.00
BAE Systems PLC	12.50	0.00
BAE Systems PLC	12.50	0.00

AUTOMOBILES

Share	Price	%
Aston Martin	12.50	0.00
Aston Martin	12.50	0.00
Aston Martin	12.50	0.00
Aston Martin	12.50	0.00
Aston Martin	12.50	0.00

BANKS

Share	Price	%
ABN-Amro	12.50	0.00
ABN-Amro	12.50	0.00
ABN-Amro	12.50	0.00
ABN-Amro	12.50	0.00
ABN-Amro	12.50	0.00

BEVERAGES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

CHEMICALS

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

CONSTRUCTION & BUILDING MATERIALS

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

CONSTRUCTION & BUILDING MATERIALS - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

DIVERSIFIED INDUSTRIALS

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

ELECTRICITY

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

ELECTRONIC & ELECTRICAL EQUIPMENT

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

ENGINEERING & MACHINERY - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

FOOD & DRUG RETAILERS

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

FOOD PRODUCERS & PROCESSORS

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

FOOD PRODUCERS & PROCESSORS - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

GENERAL RETAILERS - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

HOUSEHOLD GOODS & TEXTILES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

HOUSEHOLD GOODS & TEXTILES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INFORMATION TECHNOLOGY HARDWARE

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

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FOOD PRODUCERS & PROCESSORS - Continued HOUSEHOLD GOODS & TEXTILES - Continued

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INFORMATION TECHNOLOGY HARDWARE

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

INVESTMENT COMPANIES

Share	Price	%
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00
Asahi	12.50	0.00

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Program del. gov. See page 100.

[illegible]

Offshore Insurances and Other Funds

● FT Chrydne Unit Trust Prices: dial 800S 843 0010 and key in a 5 digit code listed below. Calls are charged at 50¢ per minute at all times. International access available by subscription only. For more details call the FT Chrydne Help Desk on (44) (71) 873 4330.

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WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE (EMU) Prices in €

Stock	Price
Alcatel	112.50
Alstom	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

Rockwell

Rockwell Automation systems monitor the distillation process of Martell Cognac.

<http://www.rockwell.com>

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

AMERICAS

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

AMERICAS

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

AMERICAS

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
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Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
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Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
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Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
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Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

EUROPE (NON-EMU)

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

AMERICAS

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

AMERICAS

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

AMERICAS

Stock	Price
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

FT/S&P ACTUARIES WORLD INDICES

Index	Value
Amsted	105.00
Amsted	105.00
Amsted	105.00
Amsted	105.00

4 pm close April 5

NEW YORK STOCK EXCHANGE PRICES

IN-SECTS (Pan European Sector Indices from EuroBench®)									
The IN-SECTS - pan European equity sector indices from EuroBench - contain only those stocks that show strong growth between their pre-announcement and announcement periods. The indices reflect the performance of the sector. Using the correlation of the IN-SECTS with the EuroBench, you can determine the relative performance of the sector. The IN-SECTS is a pan European equity sector index. It is not a derivative of the EuroBench. It is a pan European equity sector index. It is not a derivative of the EuroBench. It is a pan European equity sector index. It is not a derivative of the EuroBench. It is a pan European equity sector index. It is not a derivative of the EuroBench. It is a pan European equity sector index. It is not a derivative of the EuroBench. It is a pan European equity sector index. It is not a derivative of the EuroBench. It is a pan European equity sector index. It is not a derivative of the EuroBench. It is a pan European equity sector index. 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US INDICES

	Apr 1	Mar 31	Mar 30	1999	Stock completion				
				High	Low				
Dow Jones	8622.51	8706.18	8912.95	10000.00	9192.87	10000.00	81.22		
				(204)	(227)	(250.99)	(677.99)		
Nikkei 225	102.05	104.11	104.05	106.00	103.55	102.17	54.99		
				(139)	(144)	(121.98)	(17.08)		
Hang Seng	3021.01	3235.04	3367.60	3400.00	3063.80	3066.82	12.23		
				(143)	(127)	(184.08)	(677.92)		
London	2582.09	2592.20	2593.50	2612.00	2574.00	2574.00	16.57		
				(41)	(125)	(611.99)	(67.92)		

DJ Ind. Div. High 8922.51, Low 8706.18 (204) (227) (250.99) (677.99)

Days High: 13002.34, Days Low: 1282.25 (172) (172) (172) (172)

Standard and Poor's 500: High 1300.75, Low 1282.25 (172) (172) (172) (172)

US DATA

■ MARKET ACTIVITY

Volume (million)		Apr 1	Mar 31	Mar 30	NYSE		Apr 1	Mar 31	Mar 30
					Issue Traded				
NYSE		705,690	1,065.2	729,030	Volume		3,552	3,591	3,446
					Rate		1,507	1,507	1,507
NASDAQ		29,364	30,610	28,470	Volume		1,446	1,446	1,446
					Rate		574	574	574
AMEX		533,667	533,667	531,200	Volume		10	10	10
					Rate		101	101	101

■ NYSE TRADING ACTIVITY

Volume: 705,690,000

■ ACTIVE STOCKS

Thursday	Stocks	Open	Close	Day's change	Thursday	Stocks	Open	Close	Day's change
Apple Inc.	14,494,300	150	144	-6	IBM	124	45	-10.0	
Microsoft	13,021,100	34	34	0	Microsoft	124	45	-10.0	
Amazon.com	5,970,000	71 1/4	71 1/4	+0.1	Amazon.com	114	41	+0.9	
Google	7,765,000	71 1/4	71 1/4	+0.1	Google	494	44	+8.7	
Yahoo!	7,442,000	71 1/4	71 1/4	+0.1	Yahoo!	13	38	-2.1	
AT&T	5,742,000	31 1/4	31 1/4	-1	AT&T	16	14	-2.0	
Verizon	5,299,000	70 1/4	70 1/4	-1	Verizon	18	14	-2.0	
Wal-Mart	5,258,000	5	5	-3	Wal-Mart	184	19	-7.1	
Chrysler	5,045,000	64 1/4	64 1/4	0	Chrysler	184	19	-7.1	

■ NASDAQ TRADING ACTIVITY

Volume: 899,857,000

■ ACTIVE STOCKS

Thursday	Stocks	Open	Close	Day's change	Thursday	Stocks	Open	Close	Day's change
Microsoft	20,590,000	32 1/4	32 1/4	+0.1	IBM	219	45	-10.0	
Amazon.com	16,224,000	71 1/4	71 1/4	+0.1	Amazon.com	114	41	+0.9	
Google	11,070,000	71 1/4	71 1/4	+0.1	Google	494	44	+8.7	
Yahoo!	10,126,000	71 1/4	71 1/4	+0.1	Yahoo!	13	38	-2.1	
AT&T	10,000,000	31 1/4	31 1/4	-1	AT&T	16	14	-2.0	
Verizon	8,252,000	64 1/4	64 1/4	0	Verizon	18	14	-2.0	
Wal-Mart	8,215,000	5	5	-3	Wal-Mart	184	19	-7.1	
Chrysler	7,589,000	64 1/4	64 1/4	0	Chrysler	184	19	-7.1	
Chrysler	7,589,000	64 1/4	64 1/4	0	Chrysler	184	19	-7.1	

JAPAN

	Apr 5	Apr 2	Apr 1	1999	Stock completion				
				High	Low				
Nikkei 225	16247.78	16230.19	16237.85	16374.78	16232.74	16285.65	65.55		
				(1004.74)	(1004.74)	(1004.74)	(1004.74)		

■ TOKYO TRADING ACTIVITY

Volume: 558,700,000

■ ACTIVE STOCKS

Monday	Stocks	Open	Close	Day's change	Monday	Stocks	Open	Close	Day's change
Panasonic	20,550,000	2115	+115		Yamaha	186	+40	+27.5	
Fujitsu	18,446,000	768	+10		Toyota	195	+42	+43.5	
Hitachi	12,791,000	300	+10		Mitsubishi	870	+100	+130.0	
Sony	11,798,000	400	+10		Nissan	2200	+900	+12.9	
Daewoo	9,978,000	250	+4		Subaru	308	-30	-5.6	
Infiniti	9,250,000	510	+4		Volvo	280	-11	-6.1	
Isuzu	8,085,000	300	+1		BMW	375	-30	-5.1	
Mercedes	7,918,000	280	+7		Peugeot	1080	-540	-4.9	
Volvo	6,855,000	185	+2						

FRANCE

	Apr 5	Apr 2	Apr 1	1999	Stock completion				
				High	Low				
CAC 40	4283.45	4283.45	4283.45	4283.45	4283.45	4283.45	95.61		
				(4283.45)	(4283.45)	(4283.45)	(4283.45)		

■ PARIS TRADING ACTIVITY

Volume: 428,070,000

■ ACTIVE STOCKS

Thursday	Stocks	Open	Close	Day's change	Thursday	Stocks	Open	Close	Day's change
Alcatel	1,794,331	12.8	-0.4		Unilever	1107	+0.9	+0.3	
Elf	1,580,447	77.3	-0.4		Deutsche	66.6	+2.7	+4.2	
Suez	542,182	71.5	+0.1		Bois	16.0	+3.8	+3.8	
Sanofi	776,130	30	-0.09		Bois	16.0	+3.8	+3.8	
Amor	751,118	155.3	+2.5		Bois	16.0	+3.8	+3.8	
Thyssen	702,003	111.2	-0.8		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	

GERMANY

	Apr 5	Apr 2	Apr 1	1999	Stock completion				
				High	Low				
DAX	4614.58	4614.58	4614.58	4614.58	4614.58	4614.58	95.18		
				(4614.58)	(4614.58)	(4614.58)	(4614.58)		

■ FRANKFURT TRADING ACTIVITY

Volume: 7,261,470

■ ACTIVE STOCKS

Thursday	Stocks	Open	Close	Day's change	Thursday	Stocks	Open	Close	Day's change
BMW	20,590,000	32 1/4	32 1/4	+0.1	IBM	219	45	-10.0	
Mercedes	16,224,000	71 1/4	71 1/4	+0.1	Amazon.com	114	41	+0.9	
Google	11,070,000	71 1/4	71 1/4	+0.1	Google	494	44	+8.7	
Yahoo!	10,126,000	71 1/4	71 1/4	+0.1	Yahoo!	13	38	-2.1	
AT&T	10,000,000	31 1/4	31 1/4	-1	AT&T	16	14	-2.0	
Verizon	8,252,000	64 1/4	64 1/4	0	Verizon	18	14	-2.0	
Wal-Mart	8,215,000	5	5	-3	Wal-Mart	184	19	-7.1	
Chrysler	7,589,000	64 1/4	64 1/4	0	Chrysler	184	19	-7.1	
Chrysler	7,589,000	64 1/4	64 1/4	0	Chrysler	184	19	-7.1	

UK

	Apr 5	Apr 2	Apr 1	1999	Stock completion				
				High	Low				
FTSE 100	6330.0	6330.0	6330.0	6330.0	6330.0	6330.0	95.9		
				(6330.0)	(6330.0)	(6330.0)	(6330.0)		

■ LONDON TRADING ACTIVITY

Volume: 1,187,200,000

■ ACTIVE STOCKS

Thursday	Stocks	Open	Close	Day's change	Thursday	Stocks	Open	Close	Day's change
Alcatel	1,794,331	12.8	-0.4		Unilever	1107	+0.9	+0.3	
Elf	1,580,447	77.3	-0.4		Deutsche	66.6	+2.7	+4.2	
Suez	542,182	71.5	+0.1		Bois	16.0	+3.8	+3.8	
Sanofi	776,130	30	-0.09		Bois	16.0	+3.8	+3.8	
Amor	751,118	155.3	+2.5		Bois	16.0	+3.8	+3.8	
Thyssen	702,003	111.2	-0.8		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	

ASIA

	Apr 5	Apr 2	Apr 1	1999	Stock completion				
				High	Low				
Hong Kong	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	95.9		
				(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)		

■ HONG KONG TRADING ACTIVITY

Volume: 1,187,200,000

■ ACTIVE STOCKS

Thursday	Stocks	Open	Close	Day's change	Thursday	Stocks	Open	Close	Day's change
Alcatel	1,794,331	12.8	-0.4		Unilever	1107	+0.9	+0.3	
Elf	1,580,447	77.3	-0.4		Deutsche	66.6	+2.7	+4.2	
Suez	542,182	71.5	+0.1		Bois	16.0	+3.8	+3.8	
Sanofi	776,130	30	-0.09		Bois	16.0	+3.8	+3.8	
Amor	751,118	155.3	+2.5		Bois	16.0	+3.8	+3.8	
Thyssen	702,003	111.2	-0.8		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	
Elf	694,043	121.3	+0.3		Bois	16.0	+3.8	+3.8	

INDEX FUTURES

	Open	Settle	Change	High	Low	Est. vol.	Open Int.		Open	Settle	Change	High	Low	Est. vol.	Open Int.
■ S&P 500	1283.10	1301.40	+18.10	1302.00	1291.00	80,940	383,007		Apr 5	4150.0	4254.0	+53.8	4248.5	4138.0	52,000
		1305.90	-	-	-	184	4,600		Apr 4	4210.0	4222.0	+30.0	4210.0	4210.0	2
■ Nikkei 225	Open	Settle	Change	High	Low	Est. vol.	Open Int.		Apr 5	4150.0	4254.0	+53.8	4248.5	4138.0	52,000
									Apr 4	4210.0	4222.0	+30.0	4210.0	4210.0	2
■ Dow Jones Ind. Div.	Open	Settle	Change	High	Low	Est. vol.	Open Int.		Apr 5	4150.0	4254.0	+53.8	4248.5	4138.0	52,000
									Apr 4	4210.0	4222.0	+30.0	4210.0	4210.0	2

WORLD MARKETS AT A GLANCE

	Open	Settle	Change	High	Low	Est. vol.	Open Int.		Open	Settle	Change	High	Low	Est. vol.	Open Int.
■ S&P 500	1283.10	1301.40	+18.10	1302.00	1291.00	80,940	383,007		Apr 5	4150.0	4254.0	+53.8	4248.5	4138.0	52,000
		1305.90	-	-	-	184	4,600		Apr 4	4210.0	4222.0	+30.0	4210.0	4210.0	2
■ Nikkei 225	Open	Settle	Change	High	Low	Est. vol.	Open Int.		Apr 5	4150.0	4254.0	+53.8	4248.5	4138.0	52,000
									Apr 4	4210.0	4222.0	+30.0	4210.0	4210.0	2
■ Dow Jones Ind. Div.	Open	Settle	Change	High	Low	Est. vol.	Open Int.		Apr 5	4150.0	4254.0	+53.8	4248.5	4138.0	52,000
									Apr 4	4210.0	4222.0	+30.0	4210.0	4210.0	2

Country	Index	Apr 5	Apr 2	Apr 1	1989 High	1989 Low	% Yield	% P/E	Country	Index	Apr 5	Apr 2	Apr 1	1989 High	1989 Low	% Yield	% P/E	
Argentina	General	17470.93	(5)	(4)	19103.16 5/1	14446.80 14/1	3.06	13.8	India	ISE Sens.	3918.39	(5)	(5)	3598.25	3794.31 5/3	1222.04 4/1	ns	ns
										S & P 500 Ind	714.77	(4)	(4)	752.94	798.25 2/3	109.19 4/1	ns	ns
Australia	All Ordinaries	(5)	(5)	(5)	2973.4	2968.88 5/2	2.96	20.4	<i>Full weekly on portfolio companies.</i>									
	All Mining	(5)	(5)	(5)	2973.4	2968.88 5/2	2.96	20.4	<i>Interest:</i>	Johns Comm.	395.33	(5)	(5)	394.43	457.04 7/1	332.31 1/2	2.5	17.4
Brazil	ATX Index	(5)	(5)	(5)	1180.30	1213.38 1/5	1.91	12.8	<i>Closed data changed into open regional accounts on foreign.</i>	ISSO Overall	(5)	(5)	(5)	5288.98	5488.42 2/3	688.46 14/1	2	15.4
Belgium	SEL20	(5)	(5)	(5)	3255.25	3691.65 5/1	1.59	20.9	<i>Interest:</i>	1st July 1991	(5)	(5)	(5)	391.54	398.4	399.44 19/2	ns	ns
Canada	S&P 500	10789.0	(5)	(5)	11968.08 3/2	8927.00 14/1	ns	ns	Italy	ICI Quot 30	(5)	(5)	(5)	391.11	374.97 5/1	352.39 9/2	1.89	25.9
	1000 Shares	(5)	(5)	(5)	11968.08 3/2	8927.00 14/1	ns	ns		Index Data Int	(5)	(5)	(5)	1573.88	1688.78 2/1	1288.58 10/2		
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	1000 Shares	(

AMERICAN AIRLINES									
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11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100

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WORLD STOCK MARKETS

Jobless data help Dow hit 10,000 again

AMERICAS

The Dow Jones Industrial Average reached the 10,000 level again in early trading, buoyed by strong technology stocks and data released on Friday, which showed that the US unemployment rate dropped to its lowest level for 29 years in March, writes Andrew Edgecliffe-Johnson in New York.

Four trading days after the Dow first closed above 10,000, only to slide back below 9,800, it rose 170.38 or 1.7 per cent to 10,002.89. The broader S&P 500 index was also up, adding 1.8 per cent or 23.99 to 1,317.71, while the Nasdaq advanced 2.1 per cent or 53.12 to 2,546.49.

In contrast to recent weeks, there was little merger and acquisition activity to drive stocks. Ameritech added \$1 to \$61.50 when it announced plans to sell some of its cellular telephone properties to CTE, which slipped 8¢ to \$90.4.

Technology stocks were in favour as Yahoo! announced plans to offer internet services to hand-held and television-based devices. Yahoo! advanced \$2.44 to \$20.44. Among technology shares within the Dow, Hewlett-Packard was up 4.4 per cent after product news, and IBM advanced 2.5 per cent amid interest in internet security-related stocks.

Outside the Dow, Ameri-

can Online rose \$4½ to \$154½ - a new high - after news that it had bought an internet calendar company. When, for an undisclosed amount of stock.

Merck was among just five fallers in the Dow, slipping \$1½ to \$78½. TORONTO tracked Wall Street higher in early trading with strong gains in telecommunications and banks helping to send the 300 composite index up 45.69 to 6,670.50 at noon.

Overall volumes were dull, but telecoms pushed ahead. Northern Telecom rose \$1.80 to \$96.90 and BCE added 50 cents to \$98. Newbridge Networks gained \$1.55 to \$51.05.

Banks too were in demand. Royal Bank of Canada and Toronto-Dominion added 70 cents to \$37.45 and \$70.35 respectively. Among industrials, Seagram advanced \$3.10 to \$78.90.

Golds were a weak spot. Barrick came off 75 cents to \$24.90 and Placer Dome 25 cents to \$36.35.

MEXICO CITY moved steadily higher in early trading with investors taking their cue from the initial gains on Wall Street. The benchmark IPC index was up 114.49 to 5,044.54 at mid-session.

CARACAS, which last traded on Wednesday, shot ahead in early trading. At mid-session, the IBC index was up 117.81 to 4,261.70.

Treasuries edge lower

GOVERNMENT BONDS

US Treasury prices edged lower in morning trading, wiping out small early gains as the market failed to continue Friday's rally following the release of employment data, writes Tracy Corrigan in New York.

Bonds were dull in marked contrast to further strong gains for US equities. The only economic news release

was the National Association of Purchasing Management index of business in the non-manufacturing sector which rose to 63.5 in March. The market showed little reaction to the figures.

At midday, 30-year bonds were down ½ at 94½ to yield 5.609 per cent and 10-year notes ½ at 96½ to yield 5.213 per cent. Five-year notes were ½ lower at 92½ to yield 5.07 per cent.

Mergers drag bank shares from brink

But there are doubts the recovery achieved since Russia's crisis can be sustained, says Bertrand Benoit

European bank shares are back from the abyss they fell into last year. The recent mergers and acquisitions frenzy - although not the sole factor - has helped pull them out of their misery. But there are doubts about the sustainability of the momentum.

Bank stocks rose by 10.8 per cent in the first quarter of 1999, outperforming the FTSE Eurotop 300 index by 47 per cent.

Shares have now recovered most of the ground lost when the Russian financial crisis sent prices down almost 40 per cent last summer.

Although the recovery began in October, analysts attribute the more recent pick-up to the flurry of M&A deals during the past three months.

"Since the first wave of consolidation in 1997 and 1998, the bull market has been looking for ways to reinvent itself," says Jonathan Morris, European bank analyst at Dresdner Klein-

wort Benson. By giving the nod to recent merger projects, he argues, European competition watchdogs have provided just that.

"The benchmark Spanish deal in January was clearly the trigger for a great deal of subsequent activity," says Ben Funnell, European strategist at Morgan Stanley.

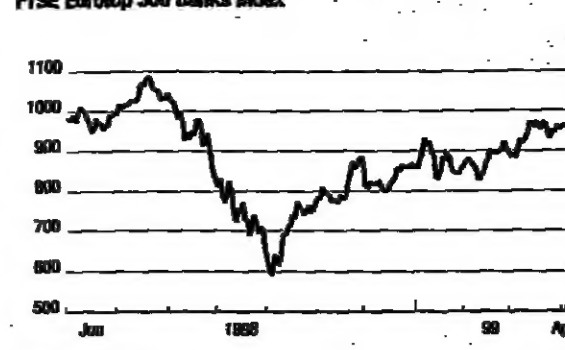
The performance of banks involved in M&A transactions bears witness to the upside provided by such deals. Banco Santander of Spain added 13.2 per cent during the quarter while its partner Banco Central Hispano rose 14.1 per cent.

France's Société Générale - which announced a merger with Paribas in January only to become the target of a hostile bid from rival BNP - gained 21.1 per cent. BNP rose 10.5 per cent.

M&A activity, however, does not account for the performance of banks that have remained on the sidelines.

One decisive factor was surprisingly positive results. While most analysts expected

FTSE Eurotop 300 Banks Index



Source: DataStream/FT

profit-taking," says Mr Morris.

For Mark Hoge, European banking analyst at Credit Suisse First Boston, the prospect is that "we may see cross-border mergers or bank-insurance deals, but those are less likely to create value than in-market consolidation". Another worry is that the amount of new equity coming to the market could exceed the appetite of investors.

"The news flow will slow down and that may spark

the emerging market crises to have severely dented profit and loss accounts for 1998, 40 European banks out of 50 reported in-line or higher-than-expected results.

The recovery for bank stocks has been so dramatic that most bankers doubt it will be replicated in the second quarter. The pace of consolidation, in particular, is unlikely to be sustained.

"The news flow will slow down and that may spark

The second quarter alone will see €11.8bn of new supply. Italy's Unicredit and Deutsche Bank of Germany are planning large secondary offerings, while the privatization of Credit Lyonnais in France and of Monte dei Paschi in Italy will flush the market with €5.5bn worth of new shares.

It will be equally difficult for the sector to maintain its earnings momentum, let alone match the results of the first half of 1998.

With international currency turmoil showing signs of dissipating, investment banks look to be over the worst. A bigger question mark hangs over retail and wholesale banks.

These business segments have done well in the low inflationary environment. Although low interest rates have diminished demand for deposits, forcing banks to refinance their loans in the more expensive inter-bank market, this has been offset by rising consumer credit. In Italy alone,

credit demand grew by 3.4 per cent in 1998.

The move by investors from deposits into mutual funds also has been a boon for banks in Germany, Italy and France, which enjoy a near monopoly on the distribution of such funds.

Banks-in-insurance companies, such as Fortis in the Benelux region, have boosted profits by selling life assurance and pension funds. But the recent pick-up in oil prices has altered the picture by threatening higher inflation.

Most analysts now believe the next rate cut by the European Central Bank will be the last one in the economic cycle.

If rates begin to rise, they could prompt a fall in consumer credit, a rise in the cost of funding, and cut returns on investment portfolios.

This, coupled with higher IT expenditure and risk provisioning ahead of the year 2000, could dent future earnings.

Bombay falls sharply on political turmoil

ASIA PACIFIC

A sudden attack of political jitters sent BOMBAY steeply lower, sliding 4.5 per cent off the BSE-30 index which closed down 165.9 at 3,519.39.

Signs that the ruling coalition government was in crisis sparked a wave of selling by nervous investors amid talk that coalition in-fighting could delay the implementation of the Indian budget.

The shakeout comes in the wake of a strong post-budget rally for Indian equities which until last Thursday were sitting on gains this year of more than 14 per cent. However, the benchmark index has now fallen 220 points in two sessions.

TOKYO was largely unmoved by a marginally more optimistic tankan survey of business confidence, writes Paul Abrahamson.

The benchmark Nikkei 225 average closed up 4.6 at 16,334. It gained 2 per cent at

one point, trading as high as 16,634 and as low as 16,231.

The more representative weighted Nikkei 300 index gained 0.34 to 282.67 while the Topix index of all first section shares rose 3 to 1,307.

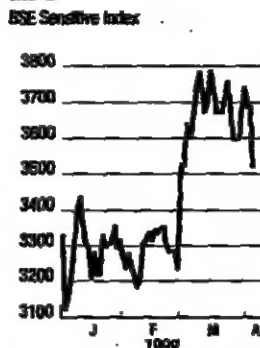
Trading was heavy with 558.7m shares changing hands. The momentum was positive with 801 stocks higher and 433 down.

Fujitsu, the electronics group, continued its rise as investors chased one of Japan's few internet-related stocks. Last month the company announced it was adding to its stake in Nifty, the internet service provider.

Fujitsu also announced plans for a press conference today with Hitachi to provide details of a joint venture in plasma display panels. The shares gained ¥115 or 5.75 per cent to ¥2,115.

Softbank, which has a range of investments in US internet stocks, hit another all-time high of ¥15,170. It

India S&P Sensitive Index



Source: DataStream/FT

closed up ¥750 or 5.3 per cent at ¥14,940 and has gained 12.5 per cent in the last three trading sessions.

Yakult, the yoghurt maker, gained 8.3 per cent or ¥77 to ¥1,010 after the company raised its parent company pre-tax profit forecast by 30 per cent to ¥13bn. It predicted a profit of ¥14bn next year. In Osaka, the OSE

index closed up 91 at 17,639.

SINGAPORE rose to a fresh high for the year with the Straits Times index up 36.41 or 2.4 per cent to 1,561.60, its best level since the second week of January.

Dealers said foreign funds were active with a number of buy programmes and talk of further financial deregulation and a possible cut for interest rates later this month boosting sentiment.

The property index rose 4.7 per cent to a 16-month high and the finance sector gained 8.1 per cent.

Hotel Properties was the most active stock, rising 5 cents to 93 cents in 30m shares traded. Blue-chip City Developments added 35 cents at \$8.65. Wing Thai and Keppel Land also hit 1998 peaks.

KUALA LUMPUR, up more than 7 per cent over the two previous sessions, ran into profit-taking which left the composite index off

4.32 at \$35.54 in heavy volume of 206m shares.

The market continued to push higher in early trading, rising to 550.35 on the news that banking leader Maybank had trimmed its base lending rate. Helped by a Standard & Poor's upgrade for Singapore debt, inter-bank rates have been moving steadily lower.

However, by early afternoon the profit-takers were in full cry. Maybank improved 25 cents to \$87.35, but most financials lost ground. The property index ended 3.5 per cent lower.

BANGKOK ended 6.37 or 1.8 per cent lower at 350.73 on the SET index, overshadowed by news that two finance companies had fallen foul of the regulator.

SG Asia Credit crashed 20.9 per cent and Krungthai Thairakit 16.7 per cent after failing to maintain net equity at minimum levels. The two were among the

day's most actively traded stocks. Top of the activity charts was Krung Thai Bank, off \$40.75 at \$117.

SHANGHAI pushed ahead in the best turnover of the year so far with a wave of buying sparked by news of a plan by fertilizer group Yantianhua to buy the state's 35 per cent shareholding.

Domestic A shares hit a peak for the year and the hard-currency B shares gained 0.6 per cent.

MANILA responded to a central bank rate cut by pushing the composite index up 12.98 to 2,041.17.

Mobile phone leader Pilipino Telephone was one of the firmest features, rising 33 centavos or 25.5 per cent to 1.88 pesos on a rumour that parent company PLDT was set to launch a debt-aid package. PLDT hardened 5 pesos to 1.025 pesos.

Most European markets were closed for the Easter holiday.

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The new company will provide financial services mainly in investment banking to meet increasingly sophisticated and diversified customer demands as Japan's Big Bang establishes a strongly competitive environment.

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Outline

Corporate Name:	Daiwa Securities SB Capital Markets Co. Ltd.
Address:	3-5, Yasu, 1-chome, Chuo-ku, Tokyo 103-8289, Japan
Shareholders' equity:	¥408.0 billion (rounded down to the nearest ¥100 million)
Equity ownership:	Daiwa 60%, Sumitomo 40%
President:	Akira Kiyota
Number of Employees:	Approximately 1,700
Start of business:	April 5, 1999

(As of April 5, 1999)

Daiwa Securities SB Capital Markets Co. Ltd.

3-5, Yasu, 1-chome, Chuo-ku, Tokyo 103-8289, Japan Tel:81(3)3243-2211



BANCA COMMERCIALE ITALIANA

A Joint Stock Company with Registered Office at 6, Piazza della Scala, Milan, Italy - Registered at the Court of Milan No. 2744 Court of Milan - Share Capital Lit. 1,704,236,280,000 - Legal Reserve Lit. 428,060,000,000 - Bank entered in the register of banks and banks of the Banca Commerciale Italiana Group entered in the Register of Banking Groups

The Shareholders who own ordinary shares of Banca Commerciale Italiana are called to the Ordinary General Meeting of Shareholders on April 26, 1999 at 10 a.m., in Milan - Piazza Belgioioso 1 - and, in case, a second call will be held on April 28, 1999, in the same place and time. Ordinary Shareholders will also be called in the Extraordinary General Meeting of Shareholders - which will be held, in the same place - on April 26, 1999, at 10.15 a.m. and, in case, on April 27, 1999, at 10 a.m. (second call, and, in case, a third call will be held on April 28, 1999, at 13 p.m. or, however, at the ending of the Ordinary General Meeting of Shareholders, in order to resolve the following

Agenda

1. Reports by the Board of Directors and by the Statutory Board of Auditors, submission of the Accounts for the year ending December 31, 1998, and resolutions thereon.
2. Appointment of a Director of the Board.
3. Completion of the Statutory Board of Auditors.
4. The exclusive taking over by the Bank of the debt, pursuant to Art. 11, para. VI, of the Legislative Decree no. 472, dated December 18, 1997, relating to money-penalities and to the relevant legal costs, which might be indicated to Directors or agents for the breach of fiscal provisions, committed in performing their offices, without wilful misconduct or gross negligence, subsequent delegations.
5. The underwriting by the Directors of the Board and the Auditors of the Statutory Board of Auditors, of a third party liability insurance policy - up to the aggregate amount not in excess of Lit. 45 billion, including the relevant legal costs and assessor's fees - which is linked to not wilful breaches of provisions of law to the charge of the above mentioned members, committed in performing their offices, with the exception of breaches sanctioned by penalties and by money-penalities deriving from the failure to comply with the provisions enacted by the Supervisory Authorities.

Extraordinary General Meeting of Shareholders

1. Proposal for renewal of delegations to the Directors for a further two-year period, provided for by Art. 6, para. 3 of the By-laws, and regarding the right to increase, pursuant to Art. 2443 and Art. 2430 ter of the Civil Code, the Company's share capital, consequent modification of Art. 6, para. 3 of the By-laws. Relevant and subsequent delegations.
2. Proposal of delegation to the Directors, pursuant to Art. 2443 of the Civil Code, to be exercised within five years from the resolution date, of the right to increase, through payment, the Company's share Capital - in one or more tranches - by up to a maximum nominal amount of Lit. 17,000,000,000, through the issue of up to 17,000,000 new ordinary shares with a par value of Lit. 1,000 each, to be offered in subscription, to the employees of Banca Commerciale Italiana or of its subsidiaries, too, who have complied with the relevant incentive plans of the Company; consequent modification of Art. 6 of the By-laws by inserting a new paragraph 4. Relevant and subsequent delegations.
3. Proposal of delegation to the Directors, pursuant to Art. 2443 of the Civil Code, to be exercised within five years from the resolution date, of the right to increase free of charge the Company's share Capital, even through the utilization of the surplus reserve, - in one or more tranches - by up to a maximum nominal amount of Lit. 5,000,000,000 through the issue of up to no. 5,000,000 new ordinary shares with a unit par value of Lit. 1,000 each - and with the impossibility to be disposed of, for a three year period from their issue - to be assigned to employees of Banca Commerciale Italiana or its subsidiaries, too, who have complied with the relevant incentive plans of the Company; consequent modification of Art. 6 of the By-laws by inserting a new paragraph 5. Relevant and subsequent delegations.
4. Proposal of delegation to the Directors, pursuant to Art. 2443 of the Civil Code, to be exercised within December 31, 2001, to increase free of charge the Company's share Capital - even through the utilization of the surplus reserve - and at the same time the par value of the ordinary shares and of the savings shares for the purpose of converting into euro the Company's share Capital, on the basis of the irrevocable rate of exchange fixed in Lit. 1,936/27 for one euro, and by the rounding off to the hundredth part in excess of one euro, that is to say up to 0.52 euro of the par value of Lit. 1,000 of the ordinary shares and of the savings shares; consequent modification of Art. 6 of the By-laws by inserting a new paragraph 6. Relevant and subsequent delegations.
5. Proposal for modification of the following Articles of the By-laws: 6 (savings shares), 11 (calling of the General Meeting of Shareholders on the initiative of the Auditors and of the Shareholders; abolition of voting by mail), 12 (participation in the General Meeting of Shareholders, incentive and gathering of delegations), 21 (calling of the Board of Directors on the initiative of the Auditors and duties of information to the Statutory Board of Auditors), 23 (possibility of calling the Board of Directors through teleconference and videoconference), 26 (action for liability), 27 (calling of the Executive Committee on the initiative of the Auditors), 32 (constitution of the Statutory Board of Auditors and procedures for the appointment of Auditors), 35 (savings shares), 36 (savings shares), 37 (savings shares), proposal for modification of the Arts. 2, 3 and 4 (abrogation of voting by mail) of the Regulations for the General Meeting of Shareholders, attached. Relevant and subsequent delegations.

The Shareholders who own shares by which they are entitled to exercise voting rights, may participate in the ordinary and extraordinary General Meeting of Shareholders against the certification released, pursuant to Art. 85, paragraph 4 of the Legislative Decree dated February 24, 1998 no. 58 and of Art. 34 of the CONSOB resolution no. 11758 dated December 23, 1998, and issued by an intermediary adhering to the centralized securities depository system of Monte Titoli S.p.A.

At least 5 days prior to the date of the Meeting, the Shareholders who own shares not yet dematerialized, for the purpose of obtaining the before mentioned certification, shall be obliged to deliver the same shares to an intermediary so that the latter will let them into the centralized securities depository system, subjecting them to the dematerialization procedure, pursuant to Art. 51 of the before mentioned CONSOB resolution.

Unless otherwise provided for by laws in force, a Shareholder can attend a Meeting by proxy, pursuant to the provisions set forth in Art. 12 paragraph 2 of the By-laws and of Art. 2372 of the Civil Code.

By laws, voting can be exercised by mail, directly by each Shareholder (Art. 11 of the By-laws) in compliance with the procedures established by the CONSOB resolution no. 11520 dated July 1, 1996. Either the request of the voting form from the Company, or the subsequent forwarding of the same voting form together with the relevant certification are to be addressed to: Banca Commerciale Italiana, Secretariat of the Board, Shareholders Office, Piazza della Scala 6, 20121 Milan; the voting forms and the relevant envelopes with the addresses thereon, may be requested at the counters of Banca Commerciale Italiana. The envelopes containing the voting forms and the certifications are to be forwarded to Banca Commerciale Italiana - Secretariat of the Board, Shareholders Office, Piazza della Scala 6, 20121 Milan, within and not later than April 24, 1999, at 10 a.m. The voting forms, lacking the signature and the relevant certification, which are received after the before mentioned date, will not be considered valid for the exercise of the voting rights and for the constitution of the Meetings.

Pursuant to the laws in force, any documentation relating to the agenda, will be available to the public, at the legal seat of Borsa Italiana S.p.A. within the established period. Copy of it may be requested by Shareholders.

18th March 1999

On behalf of the Board of Directors
The Chairman Luigi Lucchini